A FEARLESS·FORWARD LOOKING·FORTNIGHTLY

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Five Dollars a Year

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FEARLESS - FORWARD LOOKING - FORTNIGHTLY

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THE OUTLOOK

The U-Boats—Is Peace Nearer?—Money and Capital—Effect of the New Crisis on Stocks and Business Prospects

February 13, 1917.

THE sudden change in methods of the German submarine campaign which was announced after this department was in press for the last issue brought a sharp decline in prices, but was not accompanied or followed by any of the other ordinary phenomena of panics.

Stocks were well taken at the decline and a rally soon followed on covering of shorts. The good technical position of the market was influential in preventing a further break. The persistent liquidation on peace rumors and prospects which had preceded the new crisis had already eliminated many over-extended holders of stocks, so that the renewal of liquidation at a lower level found bargain hunters and large interests ready to pick up the stocks thrown over.

What of the Peace Prospect?

THE superficial view is that peace has been indefinitely postponed by the new German submarine campaign and the considerable probability of this country's being involved in the war. In a sense this is of course true. There are at the moment no definite signs of peace, while there are evidences of the prosecution of the war by both sides with renewed resolution.

Nevertheless, there is a general feeling that peace may be nearer than we can see from the surface of events. Viscount Bryce, for example, a most conservative and careful observer, expresses the view that the new submarine campaign marks a long step towards peace, because it would not have been undertaken had not the exhaustion of the Teutonic Allies been even more serious than generally supposed.

His view is, naturally, favorable to the prospects of the Entente; but it is clear to neutrals that England, the backbone of the Entente's war power, is also feeling the pinch to a greater degree than she is willing to admit. While the Entente Allies are less exhausted than the Teutons, the task before them is more severe, since the Teutonic forces are firmly entrenched on Entente territory on both East and West fronts. The defense of this territory is much easier than the task of recapturing it.

Peace will come through the exhaustion of one or both sides, and the process of exhaustion is now apparently proceeding more rapidly than ever before. Since the effect of exhaustion must be cumulative, it may easily be the case that, as Bryce says, peace prospects are considerably nearer than heretofore.

The Toll of the Submarines

DURING the first ten days after the German announcements of the new prohibited sea area, about six per cent. of the ships entering and clearing at the various ports of the United Kingdom were sunk. If destruction could be kept up at this rate, the new campaign would have to be reckoned as a considerable success, for England would soon feel the effects of such a drain upon its ocean tonnage.

British naval authorities, however, do not for a moment admit that this rate can be kept up. Nothing is known about the number of submarines captured or sunk. It is reported that the British have a big fleet of small launches ready, each carrying a few guns, with which to combat the new menace. The effect of the arming of merchant ships, which has been going on for some time, is also unknown.

A protected sea lane will be established through the prohibited zone and the Allies are confident of their ability to maintain such ocean traffic as will enable them to supply their needs in spite of the losses inflicted by the U-boats.

President Wilson's Attitude

THE President's attitude is as far as possible removed from jingoism. It is, indeed, difficult to see how we can become involved in the conflict in any large way, or what we could accomplish if we were.

We have no army. It would take two years to train and equip one. Even then the difficulties in the way of sending troops abroad in large enough numbers to affect the result would be all but insuperable. And in the meantime the Allies do not lack for untrained men.

Our navy is of some importance; but if the Allies cannot reach Germany with a combined navy several times as large as ours, neither could we. Our navy could be used to protect our ocean commerce, our ports and seacoast, and presumably this is what will be done if a declaration of war is forced.

There is, however, a fair prospect that an actual declaration of war may be avoided; for it is evident that the saner part of the German people are ready to do anything possible, short of abandoning their hopes of victory, to avoid war with the United States.

Effect of the Crisis on Our Trade

SO far as security values are concerned, the effect of the new crisis on our trade is probably more important than the chances of our being dragged into unwilling participation in the war.

Our ports and railroads were congested with traffic before the new U-boat campaign began, and they have become noticeably more congested during the two weeks of uncertainty which have already elapsed. This condition reacts on our industries. It is useless to have orders ahead for the remainder of 1917 if the product cannot be shipped.

Ocean traffic cannot, of course, be entirely paralyzed, but every increase in the amount of interference with it tends to check the outflow of our goods—and that is the basis of our present prosperity. In this direction a situation that was bad enough before has been made worse by the crisis; how much worse depends upon the success of the new Teutonic effort.

Effects at Home

IN view of the fact that Germany is so much occupied abroad as to be able to do us but little harm on this side of the ocean, our Government has so far made no extraordinary preparations for war, on the assumption that there will be time enough to do that after an actual declaration of war, if it comes. During this waiting period the effect of the crisis has been to check our domestic trade.

The check to the actual movement of goods has been slight and has been chiefly due to congestion of transportation, but forward orders are noticeably smaller. This is merely a continuation of the tendency of January, when the so-called peace prospect had the same result.

With a relief to the uncertainty—which apparently must come soon, in one form or another—this phase will pass. If the submarine campaign proves a comparative failure and is modified, or if it continues with indifferent success without our being actually drawn into the war, our people will soon become accustomed to the new conditions and will proceed with their business, subject only to the caution which the inevitability of peace readjustments must inspire.

On the other hand, if we reach a definite state of war with the Teutonic Alliance, our own war and preparedness activities must be greatly increased and our general business will be benefited thereby. So far the effects of war inflation on us have been indirect, merely a reflection of the intense activity abroad. With our own Government spending money liberally for war purposes, we should soon feel the effects of a direct inflation within our own borders, in addition to the demands on us from abroad.

Effects on Money and Capital

OUR money rate has risen about one-half of one per cent. as a result of the crisis—hardly enough to be worthy of consideration. Our bond market, however, has plainly shown the effect of the probability of a big United States bond issue. All classes of bonds have been weak and have declined, as a rule, from one to three points and in some instances more than that.

The fall in bond prices is the measure of the probability of increased demands on our capital. We are still strong in supplies of capital. The big war profits of the past two years have put us in a position to stand a heavy strain if necessary, and there can be no question of our ability to finance a war if we must have one. But it could not be expected that we should do this without any effect on the price of money. Our entrance into the war would unquestionably mean an upward trend in money rates.

As for any actual stringency or panic in the money markets, such as occurred in 1914 or 1907, that is entirely out of the question. Nothing worse than a gradual hardening of rates is to be anticipated.

The Prospect for Stocks

IN a situation made up of uncertainties to a far greater degree than usual, it is idle to attempt predictions as to the early movements of the stock market, and even the most incurable prophets are lying low. There is a general indisposition to enter upon new commitments on either side.

It is clear that prices are too low for short selling on any conservative or reasonable basis. There has been a good deal of absorption by investors but there are no reliable indications of any definite preparations by the banking interests for a bull campaign. They seem to be taking a "neutral" position and awaiting developments.

There are undoubtedly many more investors waiting for a possible opportunity to buy stocks at bargain prices after a declaration of war, and there are many who believe that such a declaration would start a bull market. On the other hand, Admiral Peary is warning us that Germany may soon be dropping bombs on the Stock Exchange—which would presumably have a bearish effect on exchange operations, temporarily at any rate—and others are telling us how easily the Teutonic submarines could enter our harbors and destroy everything in sight.

It is not clear to most of us just how these "stunts" could be successfully pulled off, but such predictions serve to illustrate the extent to which the opinion of even the most experienced is now at sea.

BONDS AND INVESTMENTS

Investments for the Professional Man

Suggestions for the Doctor, Lawyer, Preacher, Etc.—Discussion of Various Types of Bonds—Those Best Adapted for the Professional Man's Purposes

By H. I. PERRINE

THE professional man almost without exception has met with misfortune in his Wall Street ventures. He has generally been alluded to as an easy mark and has frequently been made the victim of numerous get-rich-quick schemes and fake mining and oil propositions. This failure of the professional man to employ his funds profitably has been due partly to a lack of knowledge as to the essentials that go to make up a good investment and partly to carelessness on his own part. The average individual of this type has entered upon his professional career immediately upon the completion of his college course and has had little if any contact with the business world except such as is necessary in the pursuit of his routine duties. Hence he has been easily susceptible to the persuasive arguments of the mining stock promoter and the unscrupulous vendor of stocks and bonds and has been unable to detect the flaws in their promotion schemes. Such stocks or bonds as he has purchased have been bought with an eye to the high income return rather than to the safety of principal and have invariably been passed to him at quotations considerably above their intrinsic worth. He has failed to consult a reliable investment house before placing his funds, has bought through irresponsible firms, has found himself possessed of securities having no available market and in numerous ways has violated the essential principles of investment. With these points in mind let us see what factors should govern the professional man in his selection of investments and what policy he should adopt in employing his surplus funds in the purchase of securities.

Choosing a Reliable Firm

First of all it seems essential that the prospective purchaser should consult with one or more of the well-known responsible firms dealing in investment securities and obtain the benefit of their advice and experience. The leading investment organizations have attained a high degree of skill in their selection of sound securities and maintain special departments designed to assist the purchaser in his investment problems. Such houses are glad to offer their assistance to the prospective investor in every possible way and make it their policy to exercise as much care in the proper placement of the funds of the small investor as of the large. The securities issued by reliable dealers have been purchased generally only after the most careful examination and invariably offer an excellent investment medium for the unskilled investor.

Type of Security

After having selected the house through which the dealings are to be transacted the next important matter to determine is the type of security which shall be purchased. In this regard the circumstances of the individual should be the determining factor. It is to be assumed, however, that the professional man is entirely dependent on his income and such being the case safety of principal should be first, last and always the prime consideration. At the same time, however, a good income return on the money invested is highly desirable for the man in moderate circumstances and it is advisable therefore that he select securities which return as high a rate of interest as is consistent with safety. Under present conditions of the investment market many

high grade bonds are now available at unusually attractive prices and numerous opportunities are presented to the investor of securing sound issues at levels well below their intrinsic value. Selections can be made from a wide variety of U. S. Government, Municipal, Railroad, Public Utility and Industrial Bonds as well as from numerous issues of foreign governments. Some of these bonds, however, are not adaptable to the investment requirements of the professional man as the following paragraphs will clearly indicate.

Government Bonds

From the standpoint of safety of principal U. S. Government Bonds are, of course, without an equal. These bonds, however, yield such a low rate of interest that they cannot be considered a desirable medium for the investment of the funds of a private individual. The purchase of such bonds is in fact confined largely to the banks and other financial institutions, who use them as a basis for the issue of national bank notes. They seldom yield a return much over 2¾%, and since this rate of interest can be exceeded by the deposit of funds in savings banks, there is no incentive for the investor to purchase this type of security.

State and Municipal Issues

Next to U. S. Government Bonds in point of safety come the various state and municipal issues of this country. Here, too, the return on the investment is so small as to make the purchase of such securities in normal times undesirable. More attention has been attracted to this type of bond, however, in recent months owing to the abnormal condition existing at the present time and a decidedly upward price tendency has been noticeable. While present quotations for municipals are much higher than formerly, they are to be regarded as unusually attractive even at the existing level for a number of reasons. With the investment market somewhat unsettled as a result of present complications in the international situation investors have been inclined to discriminate against speculative and semi-speculative securities in favor of sound investment issues with the result that a large portion of their funds have found placement in the municipal bond market.

The exemption of municipal bonds from all income taxes, both the normal tax and the super tax has also stimulated the demand for such issues, since they are not affected by the revision in 1916 of the Federal Income Tax Law of 1914, calling for a material increase in this tax. The fact that such bonds in many cases are tax exempt in the various states where issued is another point in their favor. Still another factor which has created a special demand for municipals was the recent revision of the Postal Savings Act, which provides that only sound municipal bonds may be purchased to secure postal savings deposits.

While comparatively few issues of Municipal bonds are listed on the various exchanges throughout the country they always have a ready market and a marked stability of price. Representative issues of this type of security, legal for savings banks and trust funds, are

CLASS I

SELECTED LIST OF RAILROAD AND MUNICIPAL BONDS LEGAL FOR SAVINGS BANKS IN NEW YORK STATE

Issue	Interest Rate	Maturity	Price and Interest	Yielding About
Pennsylvania General Mortgage	4½	1965	103½	4.32%
Chicago, Burlington & Quincy, Ill. Div	3½	1949	87	4.19
Chicago, Milwaukee & St. Paul Gen. & Ref., Ser. A.	4½	2014	96½	4.65
Baltimore & Ohio Convertible	4½	1933	95½	4.83
City of Philadelphia, Pa	4	1967	104½	3.80
New York City	3½	1954	93½	3.82
St. Paul, Minn., Library	4½	1943	111¼	3.825
Average yield				4.20

now obtainable at prices which will yield the purchaser close to 4%, and such an investment is well adapted to the requirements of the ultra conservative professional man or woman.

Railroad Bonds

Underlying bonds of the large railroad systems are, so far as safety of principal is concerned, as safe as government issues and are now selling at prices which allow a return of from 1¼ to 2% more, or from 4 to 4¾%. Such issues are, in a number of states, legal investments for savings banks and trust funds and it is doubtful whether any other class of bonds combines in a greater degree the highest obtainable security with a fair income return. As in every other type of investment there are good railroad bonds and bad railroad bonds, but so long as the investor confines his purchases to the legal bonds of this class he need have little to fear regarding the safety of his funds. It should not be inferred from this statement that there are no other bonds of this type outside of the savings bank issues that are safe and profitable investments, since this is by no means the case. There are numerous good railroad issues which do not satisfy the requirements of the savings bank laws. The unskilled investor, however, should exercise considerable care in the choice of the latter securities and should not be carried away with the high yields obtainable therefrom. He should make certain that he is purchasing a bond that is not too far removed from the rails, that it is the obligation of a strong company and that the earnings of the road are running well over the interest charges on the total bonded debt. There are many railroad bonds satisfying these requirements that are selling at prices to yield a return of close to 5% and a judicious selection of such issues should prove very profitable from the standpoint of both yield and possible price appreciation. If the purchase of several railroad bonds is contemplated care should be taken to diversify the investment as widely as possible so as to obtain securities of roads operating in different sections of the country.

CLASS II

SELECTED LIST OF RAILROAD AND PUBLIC UTILITY BONDS RETURNING A SLIGHTLY HIGHER YIELD THAN THOSE OF CLASS I

Issue	Interest Rate	Maturity	Price and Interest	Yielding About
Atchison Adjustment	4	1995	87	4.59%
Florida East Coast 1st Mortgage	4½	1959	95⅜	4.72
Virginian Railway 1st Mortgage	5	1962	99¾	5.01
American Telephone & Telegraph Co. Trust	5	1946	101⅜	4.92
Interborough Rapid Transit 1st & Ref	5	1966	98⅝	5.07
Kansas City Railways 1st Mortgage	5	1944	98	5.13
Average yield				4.91

Industrial Bonds

Except in special cases the bonds of industrial corporations are not adapted to the investment requirements of the professional man. Earnings of such companies are largely affected by fundamental conditions, such as tariff rates, legislation, political conditions, etc., and are consequently subject to wide fluctuations from year to year. In a prosperous period, such as the present, the margin of safety for practically all industrial bonds is unusually wide, but in times of depression a sharp falling off in earnings generally results in an accumulation of fair-sized deficits on the part of the weaker concerns with a consequent drop in prices of all industrial bond issues. During the past year there has been an increased demand for industrial bonds of the higher type due to their increased equity in property and the wider margin of safety in earnings back of them, with the result that quotations for such issues are now on a much higher level than formerly. While it is not denied that the improved status of these companies resulting from better business conditions thoroughly justifies the present price

level for their bonds, it is not at all certain that the prevailing quotations will be maintained and consequently it is well for the private investor who places safety of principal above all other considerations to look elsewhere for the safe investment of his funds. There are, it is true, many good industrial issues, well secured and with good records, but due prominence must be given to the above factors in their purchase. The real advantage such bonds possess lies in a larger income return than is derived from other classes of securities.

Public Service Bonds

Securities of public service corporations in recent years have attained a high degree of popularity with the investing public and the bonds of such concerns have come to be recognized as one of the most profitable forms of investment. Sound bonds of this class may be purchased to yield between 5% and 5½%, which is about 1% more than is obtainable from well secured railroad bonds. They combine the attractive features of the railroad and the liberal return of the industrial while at the same time they are free from the speculation connected with the latter. The public utility business in this country has now become well standardized and the steady growth of population seems to assure a continuous increase in the earning power of street railway, gas and electric light companies. Several factors enter into the purchase of this type of bond, however, and it is highly advisable for the investor to examine them carefully. The factor of depreciation, the character of the management, the matter of franchises, the relation existing between the value of the property and the bonded debt outstanding are all very important considerations and a purchase should not be made until all these points have been looked into. In this instance, more than any other, assurance should be had that a careful investigation of the property has been made by the offering house and until this assurance is given a purchase of the bond should not be made.

Summary

To summarize, then, the professional man contemplating the investment of his surplus funds should first select a thoroughly reliable house in which he can place the utmost confidence. Relying largely on their judgment he should make his selections from the three classes of bonds—Municipal, Railroad and Public Utility—his main consideration being safety of principal. The issues selected should include high grade bonds representative of each type and the principle of diversification should be further applied in the matter of location through the selection of corporations whose business is located in different sections of the country so that any possible loss through a depression in a particular section of the country would affect only a portion of the total amount invested. There seems no reason under present conditions why, by a judicious choice of bonds of this character an average return of 4¾% could not be obtained on the total fund with a reasonable assurance that the principal would be equally as safe as though deposited in a savings bank where the return is considerably less.

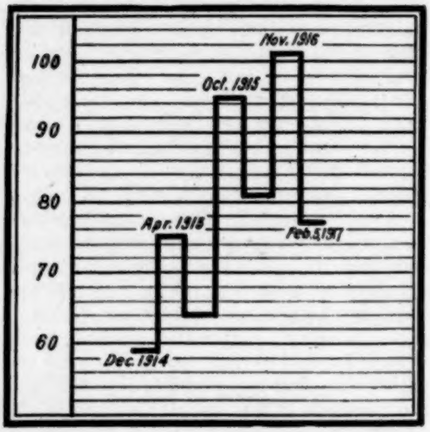
"Luck"

Luck equals character plus energy. When it is said that a man is lucky you may be sure that his success is not due to blind chance but to his own inherent qualities that bend Fortune to his will.—*S. W. Straus.*

The Position of the Market

Relation of Present Price Levels to the Swings of the Market During the Past Two Years as Shown by the Average of Fifty Stocks

WE present herewith a graphic showing the progress of the stock market during the past two years, beginning with the reopening of the Exchange in December, 1914, and continuing to the low point established by the recent decline.



The first upward movement indicated is the rise of 1915. Then after some recession, and a pause of several weeks, began the advance which carried into the fall of that year. This was the first "war market." The reaction which followed, while occupying considerably more time than used in the advance, was of relatively small extent, and gave place in the late summer of 1916 to a second up-swing, which entered a new high level for the whole movement.

The rise from the low point of 1915 to the high of 1916 represents the total average gain in securities, made largely as a result of the stimulus of the abnormal war profits earned by American industries, and the high prices received for American commodities shipped abroad. It will be seen that the time required in which to carry out the upward movement was approximately one and one-half years. Subsequently and within the last two months largely, a drastic decline has come which has cancelled over 50% of the advance.

The decline indicated is explained from varying viewpoints. Until quite recently, at least, it was generally believed to have been the result of an effort of the market to discount the coming of peace. Developments of a somewhat sensational nature during the Congressional "Leak" inquiry brought out some convincing testimony to the effect that the actual cause of the decline went somewhat back of news events of the day, and were to be found in the technical situation.

The graphic above shows that the average market, at the present writing, is below the half-way point between two extremes in recent market history, one of which represents the depths of an unusual economic depression and the other, the height of speculative optimism. Any weakness in the technical situation which might have prevailed two or three months ago, while the market was still in the latter extremity, has doubtless been corrected to a large extent by the recent declines.

MARKET MOVEMENTS

A study of the stock market means a study in the forces above and below the present level of prices. Each movement has its period of preparation, execution and culmination, and the most substantial of movements are those which make long preparation. Without this preparation and gathering of force, a movement is not likely to be sustained. On the other hand, the greater the preparation, the greater the probable extent of the swing.—*Sudies in Tape Reading.*

MONEY--BANKING--BUSINESS

Leading Opinions

About Financial, Investment and Business Conditions

"Big Post-War Trade"—Sec. Redfield

IN addressing the recent session of the Southern Commercial Congress at Norfolk, Va., Secretary of Commerce Redfield advanced arguments to prove his contention that the United States will enjoy a tremendous legitimate trade in Europe after peace has been declared.

"We see in each of three great nations, two of which have hitherto been larger factors in international trade than we, definite official steps to promote their industries and commerce after the war; to organize them on a more scientific and effective basis with centralized authority behind them and the deliberate purpose to do all they can to advance their economic positions rapidly," he said, referring to preparations by England, France and Italy.

Saturday Evening Post.

NOT A MOMENT TO LOSE.

"These movements can not be looked upon as if they were weapons backed by exceptional economic power. On the contrary, a saner view is to regard them as weapons forged to overcome unusual economic weakness. They are not the outcome of developing strength, but of economic weakness. They are not the outcome of developing strength, but of increasing loss. They are created to make the best of bad situations.

"The productiveness of many European factories would have to be increased many fold in many lines before it reached the effectiveness of the best American practice. Nor do we know the cost in many ways at which the effort was made and is making. We may question whether it is physically and financially possible to maintain that effort in peace and whether a part of industrial reconstruction will not be replacing men and machines marred in the intense struggle.

"There is the best of reason for knowing that in at least four important respects the end of the war will mean large calls on us for supplies which now for one or another reason we are prevented from furnishing. These demands will be for foodstuffs of many kinds, for agricultural machinery, for lumber in many forms, and for credits in the way of loans and investments. We may expect, however, that in the general field of manufactures we shall later find strong competition in the world's markets, probably a competition of developing strength. It will be backed by powerful government aid and will also have as a background serious retrogression in economic conditions as compared with those existing before the war."

"Value of Short Selling"—Otto Kahn

A contribution to the sanity of the times was made recently by Mr. Otto H. Kahn, of Kuhn, Loeb & Co., in an address to the Association of Stock Exchange Partners. In his address Mr. Kahn lucidly explains the use and the necessity of short selling. His remarks are well worthy of republication. Among other things he said:

"The short seller contracts to deliver at a certain price a certain quantity of stocks which he does not own at the time, but which he expects the course of the market to permit him to buy at a profit. In its essence that is not very different from what every contractor and merchant does when in the usual course of busi-

ness he undertakes to complete a job or to deliver goods without having first secured all of the materials entering in the work or the merchandise. The practice of short selling has been sanctioned by economists from the first Napoleon's minister of finance to Horace White in our day.

Short selling does become a wrong when and to the extent that the methods and intent of the short sellers are wrong, just as, for instance, the practice of thrift becomes a vice when it degenerates into avarice and miserliness. The short seller who goes about like a raging lion (or bear) seeking whom he may devour, he who deliberately smashes values by dint of manipulation or artificially intensified selling amounting in effect to manipulation or by spreading alarm through untrue reports or even through merely unverified rumors, does wrong and ought to be punished."

"Clearer Business Vision"—F. A. Vanderlip

In a speech before the Bankers' Club at Chicago, Mr. Frank A. Vanderlip, president of the National City Bank of

Brooklyn Eagle.

THE PEACE SCARE.

New York, summarized the trend of business ethics for the last twenty years and pointed out that business is responsible for many of the ills which have befallen it. He said in part:

"The government has done much that has been destructive, much that has been ill-judged, prejudiced, and harmful in its efforts to control business. I am not sure, however, but business men themselves are quite as much to blame as have been our legislators or the interpretations of our courts. Unfair practices led to restrictive legislation.

"Probably the greatest gain of all in the last twenty years has been a gain in the direction of a clearer moral vision, a sound understanding of the ethics of business. If the ethical relations of the corporations to the public had been as well understood a generation ago, had been as clearly recognized and as wholeheartedly accepted, as they are today, our statute books would be freer from the hampering restrictions that the law has laid upon business.

"Another class of legislation through which the government enters business is typified through the Federal Farm Loan Act. In some quarters there is objection to the principle involved when the governmental relations are injected into business in this way. Does not the fault here lie quite as much with bankers as with legislators? Will we not always find the people groping to do through governmental agencies those things that are left undone or are badly done by individual initiative? Must we not safeguard the future from an unwise participation in business by seeing to it that business is so well conducted, so fairly administered, so completely responsive to legitimate needs that there will be no sound reason for the government coming into any field because it is not already adequately and fairly served?"

Britain Curtails Munitions Output

The high-water mark has now been reached and passed in making British guns, shells and all kinds of ammunition for the Allied armies, cables the London correspondent of *The Associated Press.* This fact now presents the large problem of diverting this production into new and useful channels, by which England will again supply the outside world with goods, thus diminishing the steady outflow of gold and checking the decline in the British exchange rate.

It is because this high-water mark in the output of ammunition has been reached and passed that attention is now being given to gradually diverting labor to other lines so that the trade and export war may be carried on. This is the reason for the creation of a new member of the Ministry, Neville Chamberlain, as Director of Service. Mr. Chamberlain's chief duties are to divide occupations into "essentials" and "non-essentials," and to divert labor gradually from the non-essential industries turning out luxuries

to the essential industries which turn out those articles on which England's great export trade is based in normal times.

Possible Federal Steel Needs

A new feature of interest appears in the iron and steel industry, as a result of the recent international developments, possible Federal requirements entering largely into all calculations, observes *Dun's Review*.

Some government buying already is reported and the movement may reach extensive proportions, as needs would be heavy in the event of a still more unfavorable turn in the foreign situation. This fact, of course, is generally recognized and raises the question as to how demands from other quarters might be affected, and to what extent regular deliveries might be retarded. As it is now, delays in shipments are a serious drawback and the influence of the transportation congestion is seen in statistics of pig iron output, which diminishes.

An Era of Financial Fakers

Never before in this country has there been such an avalanche of questionable promoting schemes as now, Writes Albert W. Atwood in *The Saturday Evening Post*. The get-rich-quick brokers and promoters have sprung up like mushrooms over-night. Fakers, schemers and swindlers swarm over the land. Financial sharks swim joyously in schools and shoals.

For this is the heyday of undreamed-of prosperity; and every boom in trade and in stocks brings to the surface a multitude from the under-world of finance, glad to seize upon the possibly brief wave of fortune and take advantage of a feverish mania for speculation while it lasts. Thus, the tremendous revival in frauds and semi-frauds by mail and by advertising, along with its marvelously sudden fungous growth of upstart brokers and promoters, only serves to emphasize the prodigal, almost recklessly abrupt increase in national wealth.

The characteristics of the recent boom are numerous and intensely instructive. Of course, some of the swarm of fake motor stocks are brand-new, with the varnish still on. Not so with the oil and mining shares. Beginning with '49, we have had them at regular intervals ever since. But the present crops of promoters have shown unusual cleverness in taking advantage of that human desire to get something for nothing, to expect that riches are concealed under the ground. Even the most uninformed know that in other industries there are definite limits and margins of profit; but they feel that no one can tell what may be hidden in the bowels of the earth. As for the fake motor stocks, the promoters have merely taken advantage of the enormous profits made by legitimate properties, to sell shares in certain new companies that exist almost solely on paper.

Our Growth in Wealth

From figures published in its annual summary at the beginning of the present year, *The Journal of Commerce* draws conclusions as to what was the extent of our growth in wealth in 1916. Our population increased about 1.6 per cent., the value of our agricultural products, at the same time, about 29.9 per cent., an increase due more to higher prices than to larger production,

N. Y. Globe.

but in some cases a result reached in spite of smaller production. The writer says further:

Among statistics of trade and finance it is shown that imports increased in value by 37 per cent. and exports by nearly 55 per cent. Railroad revenues advanced 17 per cent.; lake commerce in tonnage 29 per cent. New incorporations during the year were 70 per cent. more than the previous year and building construction 40 per cent. higher in cost. The amount of money in circulation was 1½ per cent. more, loans of national banks 15⅓ per cent. greater, and bank clearing 40 per cent. It is impossible to differentiate the cause and effects in these latter statistics, but all were affected by the kind of 'prosperity' that came from war in Europe, which was very unequally shared by the people of this country.

"No New Haven Receivership"—Muir

A reassuring statement to New Haven stockholders, who recently saw the common stock of the road fall to 38½, the lowest point in history, has been issued by John Muir, on behalf of the Railway Investors League, of which he is chairman. He reiterates the statements made recently by officials that no receivership is contemplated, and gives the stockholders the first glimpse into the new financing plans.

The statement is made by the league on "information obtained from one of the highest authorities in the direction of the New Haven." Mr. Muir says it is considered possible that the issuance of preferred stock may be undertaken by the directors, but from sources equally as well informed it was learned that no such plan is in contemplation.

The statement also throws some light on the recent rumors that Howard Elliott, president of the New Haven, would resign. On the contrary Mr. Elliott will be back at his desk by April 1.

Car Shortage Decreasing

The American Railway Association reports that the freight-car shortage, which in November last was becoming increasingly serious, has decreased almost 50 per cent. since that time, according to the figures for January 1, 1917.

On November 1, there was a shortage of 114,908 freight cars; on December 1, it was 107,778, and on December 31, it had fallen to 59,892 cars. This decrease, says the Association, is attributed more than anything else to the co-operative efforts of the Inter-State Commerce Commission, shippers and the railroads. The total surplus of cars on December 31 was 38,647, while the total shortage amounted to 98,539, the net shortage on that date thus being as above indicated, 59,982.

Cotton Exchange to Be Probed

A resolution was adopted by the Senate on February 2 directing the Attorney-General to make an investigation into the buying and selling operations of the New York Cotton Exchange to determine whether its methods are in restraint of trade. The resolution, which was submitted by Senator Smith of South Carolina, was adopted without objection. It reads as follows:

Whereas complaint has come from farmers, merchants, business organizations, and also a memorial from the Legislature of South Carolina, complaining that the practice of the New York Cotton Exchange in buying and selling contracts below what local spot cotton can be bought for in the South; and

Whereas this practice is demoralizing to the domestic and foreign cotton trade, in that it makes impossible legitimate hedging against purchase and sale; therefore be it

Resolved, That the Attorney-General is hereby directed at once to investigate the transactions in buying and selling contracts on the New York Cotton Exchange and ascertain whether such transactions are unlawful and in restraint of trade.

Cleveland Plain Dealer.
THE CHRISTMAS WIDOW.

Henry H. Royce, president of the Exchange, had the following to say on the 2d inst. with regard to the proposed investigation:

"The Exchange will welcome any investigation on the line of restraining trade. Prices on the Exchange are entirely the result of orders received by its members to buy and sell. The management of the Exchange has absolutely nothing to do with prices. It in no way influences prices, but, on the other hand, it is the public and no other agency that establishes the value of cotton."

With the Financial Observers

Hayden, Stone & Co.—In view of the foreign complications, it is not at all strange that the wonderful earning statement of the United States Steel Corporation has passed almost unnoticed. And yet this statement is really deserving of considerable attention. Net profits for the three months ended December 31, 1916, totaled nearly $106,000,000. This is at the rate of about $66 per share annually on the common stock outstanding, and compares with net profits of $51,000,000 in the same quarter of 1915, and less than $11,000,000 in the same quarter of 1914. In 1916 the corporation earned between $48 and $50 per share for the common stock. The orders now on hand are sufficient to keep the Steel plants busy during the greater part of 1917, if no new orders are taken.

We call attention to this merely as concrete evidence of the phenomenal prosperity of American industry. If the war is not going to end in the near future, and there is apparently little chance of that now, this prosperity is not going to be suddenly terminated. Stocks have been sold indiscriminately, and such selling, coming after the December decline, must have rendered the technical condition of the market exceedingly strong. Such sudden and severe drops as the market has experienced recently have in the past proved to be excellent opportunities for the purchase of substantial securities, and we are inclined to think that in the long run the present instance will be no exception.

Keane, Zayas & Potts.—Whatever the issue of this new crisis, there is no reason for panic in the market places of this country. In inviting the hostility of all neutral nations Germany is simply hastening the arrival of peace and the opening of the seas and of blockaded ports to our commerce.

On that day cotton, which declined $25 a bale on Thursday, and wheat, which fell 15 cents a bushel at the same time, will probably rise to new high levels. There will then be no interference with our commerce, and the maritime nations of the world will speed ships to our ports to move to needy and suffering Europe the vast quantities of foodstuffs, raw materials and manufactured goods which are being accumulated within the borders of the United States for the demand that is certain to come. We assert again the opinion that the coming of peace will make times better, not worse, and we urge investors to take advantage of the present low level of prices to acquire stocks that will be benefited by a return to normal conditions.

J. S. Bache & Co.—The situation in the securities market and in the loan market pertaining to it was most favorable for the crisis which developed so suddenly. This was because of the widespread liquidation which took place in December. Had we been at the crest of the enormous speculative wave of last year, instead of at the hollow, disaster would have been widespread and destructive. Instead, the break, notwithstanding its decisive action, was a most orderly descent. This does not mean that there were not heavy losses, especially in cotton and wheat, but there was absence of the panicky conditions which had prevailed in the other international crises through which we have passed. Stocks are now more widely held by strong interests probably than for a long time, and are cheap, notwithstanding that further portentous happenings may put them temporarily lower.

Sheldon, Morgan & Co.—The view has been expressed in conservative quarters that the virtual panic on the first news of Germany's infraction of her promises has discounted not only peace, but war as well. On the other hand, while there was much liquidation, it is probable that there is still a good deal of stock to be liquidated. Around the lowest levels attained in the break there were evidences of buying by solid financial interests. It was chiefly this buying that checked the decline. During the uncertainty which must follow, we recommend extreme caution in the market. Prices have been liquidated to or below a firm level of intrinsic values under anything like normal conditions; but shocks which may affect sentiment may be expected at any moment. And in times of great excitement sentiment temporarily overweighs actual values and common sense.

Posner & Company.—The announcement by the German Government of its determination to enter upon a ruthless submarine warfare, free from all restraints of moral considerations and international law, has brought about the crisis and the situation is extremely grave. Financially, the country is fully prepared to meet whatever contingency may arise, and it will not be necessary to confront anything of a more serious nature than the severance of diplomatic intercourse for some time and, when the time comes for real fighting, the country will also be prepared to meet it successfully. The market for securities has had many severe shocks in the last two years and it is likely to have many more before this war is over. Nevertheless, there is every reason to feel enthusiastic over the outlook for a continuance of trade activity and prosperous conditions generally. While there are no precedents for prevailing conditions or what may follow, the situation can easily be summed up by what will be done under the circumstances. Commerce and industry will thrive under the stimulating influence of Government activity and, as we are situated, there is no war danger to fear. Therefore, the community as a whole may proceed about its affairs in the usual way.

The Business Situation

SINCE January 1 there has been a little slowing up of future orders in many lines of trade. Nevertheless bank clearings outside of New York City touched a new high mark in January, at a figure more than double that of January, 1909, and commodity prices February 1 also reached a new high at a little more than 13.90 for Bradstreet's Index. So it is clear that there has so far been nothing like a reaction in business conditions. Total bank clearings for the whole United States were a shade below December and November, because of less activity on the Stock Exchange.

The price of spot copper is back to the top again at 34 cents, with some sales at 35; pig iron advanced another dollar a ton during January, and the steel average crept up a little further to nearly $77 a ton. The possibility of war between this country and Germany has helped these prices, since war would bring an additional demand for the principal metals.

Building operations represent almost the only line in which there was no advance during 1916. Current operations are running about the same as last year and have, in fact, shown little increase for the last five years. This illustrates the extent to which new construction of all kinds is being held in abeyance by the war demand for both capital and materials.

The big gold imports of December were sent us by the Allies to help the British $250,000,000 loan, and they had the desired effect. If we enter the war ourselves it will turn out that the British picked the psychological moment for the loan. There was a pronounced let-up in the gold imports as soon as these bonds were sold.

Our big excess of exports and our small failures have become an old story. The slight fall in iron production for January was due to congested transportation and difficulty of getting coke. The falling off in unfilled orders of the U. S. Steel Corporation was a surprise, but steel men do not believe it represents a turn in the situation.

	Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks.	Per cent Cash to Deposits New York Clearing-house Banks.*	Per cent Loans to Deposits New York Clearing-house Banks.*	Br'dst's Index of Commodity Pcs.	English Index of Commodity Pcs.
February, 1917.......	4	5⅛	16.3	92.1	13.92	4,953
January, 1917.......	3½	5⅛	16.3	93.1	13.73	4,908
December, 1916.......	4	5⅜	13.6	97.4	13.68	4,779
February, 1916.......	3	5	16.4	91.8	11.14	3,840
" 1915.......	3¾	5	19.1	97.5	9.66	3,003
" 1914.......	4	3½	27.1	96.1	8.86	2,618
" 1913.......	5	5	25.8	99.4	9.46	2,732

* Affected by the new Federal Reserve System.

	Total Bank Clearings of U. S. (Millions)	Bank Clearings of U. S. Excluding N. Y. City (Millions)	Balance of Gold Movements —Imports or Exports (Thousands)	Balance of Trade —Imports or Exports (Thousands)	Building Operations, Twenty Cities (Thous'ds)	Business Failures Total Liabilities (Thous'ds)
Jan., 1917.........	26,616	10,489	......	......	.....	22,296
Dec., 1916.........	27,195	10,259	Imp. 130,401	Exp. 316,232	44,190	14,945
Jan., 1916.........	20,070	7,743	Imp. 4,794	Exp. 145,685	34,688	21,602
" 1915.........	13,483	6,195	Imp. 6,204	Exp. 145,731	26,693	50,108
" 1914.........	16,198	6,826	Imp. 3,528	Exp. 49,323	29,819	37,285
" 1913.........	16,233	6,895	Exp. 11,028	Exp. 63,969	31,403	19,296

	Wholesale Price of Pig Iron*	Production of Iron (Tons) (Thous'ds)	U. S. Steel Co. Unfilled Tonnage (Thous'ds)†	Price of Electro. Copper. Cents.	Crop Conditions: Winter Wheat	Spring Wheat	Corn	Cotton	Babson's Bond Average.
Feb., 1917.....	26.90	....	.....	34.0	...	...	...	...	93.0
Jan., 1917.....	25.90	3,151	11,474	30.0	...	...	...	...	94.7
Dec., 1916.....	25.90	3,171	11,547	33.8	(a)	(a)	(b)	(c)	93.6
Feb., 1916.....	17.90	3,185‡	7,922‡	26.4	...	...	...	...	91.8
" 1915.....	12.40	1,601‡	4,248‡	14.4	...	...	...	...	89.0
" 1914.....	13.81	1,885‡	4,613‡	14.5	...	...	...	...	94.0
" 1913.....	16.69	2,795‡	7,827‡	15.0	...	...	...	...	95.5

***No. 2 Southern at Cincinnati. †End of mo. named. ‡January. (a) Total wheat 639,886,000 bu. against 1,011,505,000 in 1915. (b) Crop 2,583,241,000 bu. against 3,054,530,000 in 1915. (c) 11,511,000 bales against 11,161,000 in 1915.**

Loaning Rates On Securities

How Brokers Borrow and How Banks Loan on Stocks—Relation of Renewal Rate to Actual Rate—A Non-Technical Exposition of a Phase of Brokerage Business Not Generally Understood

By ROBERT L. SMITLEY

UNLESS one has been actively engaged in all phases of the brokerage business, the question of interest rates is usually an enigma. Furthermore, it is difficult to explain in just ordinary words because so many technical features enter into the subject. The inquiry department of The Magazine of Wall Street has had hundreds of inquiries on interest matters and this article, in a measure, is a general reply to all these inquiries.

The subject had best be divided into three captions and each one discussed separately: Call and Time rates, Stock rates, and the Brokers' rates.

Call Money

The so called renewal rate for call money which is published in the daily newspapers, has really very little to do with the actual situation except to determine a sort of "clearing rate" for the day. Money may open, be lent, on the Stock Exchange at about 11:30 a. m. at 2 per cent. and possibly a million dollars may pass from the bank to broker at this rate. The renewal rate is then established and communicated to all those interested. The broker may be borrowing from ten to fifty million dollars from many financial institutions, and he at once tries to renew his call loans at 2 per cent. If these loans had been standing at 3 per cent. the day previous, it is barely possible that one million out of ten will reduce to the renewal. The rest continue to stand at above 3 per cent., or 3 per cent., or maybe 2½ per cent. But, if the broker's customers are carrying many industrial stocks, he will have to make special loans, and all industrial loans average from ½ per cent. to 1 per cent. above the renewal. The banks all know that it would be impossible for the broker to pay all loans which do not renew at the renewal rate, and even if the broker tried to pay them, the sudden demand for money would force the rate up higher than before. In addition to this feature, many financial institutions do not loan above 6 per cent., notably the National City bank. After a period of high money, these banks do not reduce their interest so rapidly, although they may put out new money at the prevailing rate.

The Average

A typical day's average for the broker on the first or second day of 2 per cent. money is as follows, basis ten million:

$500,000	odd lots (less than 100 shares for each collateral) at 3½ per cent.
$1,000,000	special loan, possibly on active curb stocks at 3 per cent.
$3,000,000	industrial money at 3 per cent.
$1,000,000	industrial money at 2½ per cent.
$2,000,000	regular money not marked down, at 2½ per cent.
$3,500,000	regular money at renewal at 2 per cent.

The average, therefore, is 2.825 per cent., which is quite a difference from the renewal rate quoted in the newspapers.

All brokers find it to their advantage to protect themselves and their customers by taking about ¼ to ⅓ of their money on time at a specified rate. This prevents sudden calling of too many loans and is a kind of insurance for the general average if money should be very high on the call. If the broker at the present time, averages his $3,000,000 time money, part of which will no doubt be "industrial or special" at about 3¾, he will be doing very well.

The reader's attention is called to the fact that a regular loan usually consists of 60 per cent. rails, full 100 share lots and 40 per cent. good industrials, full 100 share lots.

The above time money may range all the way from 5 per cent. down to 3 per cent. and the brokers average now, in connection with call money would be a combination of the two elements, or 3.04 per cent., on a day when money renewed at 2 per cent.

But there is yet another element. Many customers deal in curb or outside securities which the banks will never admit to loans. It is therefore imperative that the broker loan the customer the margin. The broker never values his money less than 6 per cent., and if his capital amounts to 2,000,000, this third element must be averaged in with the former. On the above basis, the real average for the day would be 3.433 per cent, and money renewed on the Stock Exchange at 2 per cent.

The Bank's Position

There is a clique of banks furnishing funds to brokers whose loan clerks confer daily to establish their own renewal, notwithstanding what the Exchange renewal may be. There are other banks which never loan below 2½ per cent, and yet others whose minimum is 3 per cent. For the large borrower, it is necessary to deal with these high priced banks as it is only possible for a bank to loan one firm a specified amount based on its capital. In all, there are only about seventy-five financial institutions in New York loaning call money, but when the call rate reaches 4 per cent. and 5 per cent. out of town banks like the Continental and Commercial of Chicago, the Union Trust Co. of Pittsburgh and hundreds of others enter the field, either direct or through New York correspondents.

Stock Loans

In accordance with the rules prevalent in New York, deliveries of sales of stock must be made before 2:15 p. m. the following day, except in the case of Friday sale, when delivery is made on the following Monday. If the sale is a "short" one, if the stock is coming from out of town or from abroad, or for any other reason which prevents actual delivery of the certificate sold, the broker must borrow it. The business of loaning stocks is kept up on the floor of the exchange from 9:45 a. m. to 3:30 p. m. This is sometimes the salvation of a firm with inadequate capital, or one doing more business than its capital should permit. The lender gets market value for the stock lent and it is kept at market value during the period of the loan. The lender of the stock pays interest on the money he receives, except in certain exceptional cases, and he does not have to put up 20 per cent. margin from his capital.

If the stock lent is an active one and there is plenty about the "street," the lender will pay the renewal rate of call money for the day on the total sum he has received from the borrower. If the supply of the stock is very low, the rate decreases in a ratio governed by supply and demand. For a very inactive stock like National Biscuit or Sears Roebuck, the rate would probably be "flat." The lender of the stock gets the use of the money without paying any interest. When a real large short interest, or an artificial one, appears in a stock it very often loans at a premium. In other words, the lender not only gets the use of his money free, but gets a bonus for lending his stock. The premium usually runs by the day and is based on the par of funds. The usual premiums run from ¼ per cent., or $25 per day per 100 shares to 1/256% or a little over thirty-nine cents per day per 100 shares. Sundays are never counted in computing premiums and it is the custom now to omit Saturdays from a charge day.

The loaning rate of stocks, like the renewal rate of call money does not always represent the true condition of the short interest in a stock. It is very likely that the recent premiums on New Haven and Industrial Alcohol did represent a large short interest, for the floating supply of these two stocks were not large at times. The writer recalls a time when certain large speculators

were carrying thousands of shares of Amalgamated Copper, but even after selling these shares they were not delivered and the brokers openly borrowed fifty thousand shares at one time. Many firms do not like to show their actual position in the market and arrangements to borrow are made privately. Not many weeks ago a certain Stock Exchange firm borrowed thirty thousand shares of Steel common by arrangement over the telephone wire. This was before the days of the "Leak."

Risks

There are many risks for the firm lending stocks. A sudden rise in the market may cause a failure to the borrower and the stocks would have to be bought in "under the rule" at a much higher price and therefore a loss. But several large firms make it a practice to loan stocks only when the rate is low, flat or at a premium. One large firm saves between fourteen and fifteen thousand dollars each year by taking advantage of this situation.

The Customer's Status

The general custom is to give the owner of stock, which is loaned at a premium, the full premium. The firm does not get, or should not get this advantage. In the case of short interest accruing from stock borrowed for a short account, the customer rarely gets any profit from this, unless the short sales are very large when he may demand that his broker divide the short interest on a basis of ½ or ⅓ to the customer. Very few customers, however, take advantage of their opportunities to make money through short interest.

The margin account of a customer is usually charged from ½% to 4% above the average cost of money to the firm. In addition to this, few customers realize that they are paying compound interest on a monthly basis. The interest charge on an account is determined by these elements: the average cost to the firm for the month, the added increment to pay for handling the account, and the class of stocks carried. If the customer is carrying an account made up of 100 share lots, half active rails and half active industrials, he will be charged the minimum rate by his broker; if he is carrying various odd lots, he may pay ½ to 1% more; if it is all industrial, the rate will probably be ½% more than the minimum, but if the account consists of inactive issues or unborrowable curb issues, the minimum will be 6% and if money has ruled high for the month, maybe more than 6%. It costs much money and there is considerable risk in margin accounts. It is only fair that the broker make enough from this phase of his business to cover these costs.

SOULLESS CORPORATIONS

For a good many years the favorite theme of politicians and yellow journalism has been: "The Soulless Corporations." Countless tons of paper and ink have annually been dedicated to the abuse of corporations in general and certain ones in particular, but times are changing. The theme has not only been worn threadbare, but in the light of modern corporation methods of management, literally, a dead issue.

Of course there are still corporations that may be entitled to the designation of "soulless," or rather, heartless, just as there are heartless men and women in the world, for, after all, a corporation but reflects its human management, and, deep down in the structure of civilization, there is a growing sentiment toward justice and consideration for humanity—the great war notwithstanding.

The latest evidence is the voluntary action of a very large number of the great, as well as smaller corporations to grant substantial salary bonuses and wage increases to employees; in the aggregate, amounting to figures, which, a few short years ago, would have been considered amazing. Now the daily press is teeming with announcements of bonuses, wage increases and profit divisions to employees of corporations. As an example of the many, note that the American Telephone & Telegraph Company has divided six millions of dollars among its employees who are receiving less than $5,000 a year. And yet that same corporation has often been held up as a glaring illustration of the soulless corporation.

What a misnomer!—*Michigan Investor.*

The Ravin'

(after Poe)

By MAURICE COWEN

Once upon a midday dreary, while I wandered weak and weary,
  Past some quaint and curious faces just inside my broker's door;
While in doubt I hesitated, hopelessly I contemplated
  All the cats and dogs and lemons I had seen so oft before—
Seen and bought—and wished I hadn't—many, many times before!
  Simply trash—and nothing more!

"What," I muttered, sadly sighing, "What, oh, WHAT shall I be buying—
  What new flyer now be trying? Tell me, tell me, I implore!"
Then the clerk turned to me, squeaking, "Do not ever thus be seeking—
  Seeking vainly melons juicy;—buy New Haven just once more."
How my heart then filled with murder, as I bellowed, blindly sore—
  "Quote New Haven NEVERMORE!"

"Would you like some Baldy Loco?" "Nay!" I cried. "O Lord, my coco!
  Can I find no thing that lambs have not been trimmed in o'er and o'er?"
"Try some Kitty, Kroos or Can, Mop or Brooklyn Rapid Tran, or—
  Surely there is nothing better." "Never, never those!" I swore.
"Yet, whatever I may get, it shall be something I'll deplore—
  Something I shall much deplore!"

Then at last, the tips, beguiling all my sad soul into smiling,
  Onto me came swiftly piling, till my feet were cold no more.
Loud the board-boy kept a-shouting. Stocks were up, there was no doubting.
  Like a lion, danger flouting, to the order clerk I tore—
Buying every stock in sight, and would have kept on buying more—
  BUT, the clerk said, "Nothing more!"

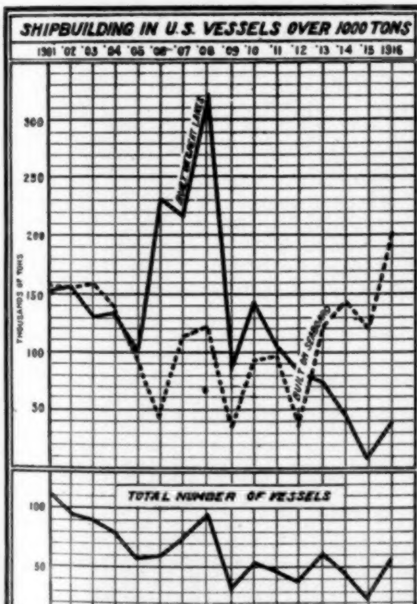
As of yore, I watched and waited; saw stocks jump, but was not sated.
  Sure as guns, I was ill-fated, for the crash came as before.
Though I've sworn to guard my boodle, though I've almost lost my noodle,
  Just as sure as Yankee Doodle, I shall do it all once more—
Do it over every season—buying only when they soar—
  Do it thus FOREVERMORE!

Prospects for the Shipping Industry

What War Will Mean to Earnings of Ocean Carriers — Possible Requisition by Government — Shipbuilding Industry After the War

By WALTER McNAUGHTON

THERE is no gainsaying the fact that the war has been a great factor in reviving interest and actual capital participation in the restoration of the United States to its former position of maritime supremacy. It may not be possible for this country to again achieve the first place in world shipping and ship building, because of the enormous strides other powers have made in the last two decades and the ambitious programs of construction they



have under way, even in these times when they are at war, but it should be possible for this country to regain a rank high among the foremost of maritime nations.

The war has created the opportunity for this country to change from a position where it paid annually to other nations an ocean freight bill of some $300,000,000 and more for the carriage of her imports and exports, to a position where most, if not all, of that enormous annual freight bill is paid into the pockets of the shipowners belonging to this nation. This opportunity to recoup the lost laurels of the sea is as great as it was unexpected two and a half years ago. Prominent shipping men and economists believe that this country will never be given another such opportunity for the reason that conditions throughout the world will likely never be again such as to make possible a war of the magnitude and far reaching effects of the one currently being waged in Europe. It is a potential position, this new one in which the United States finds herself with respect to the rest of the world where ships are parts of the national economies.

In one aspect of it, attention is drawn to two groups of companies which alike, jointly and separately, have come to play increasingly important parts and which may be expected from time to time to make appeals or bids to investors for the lending of their capital and their confidence. These two groups are the shipbuilding and the shipping or shipowning companies. It is the purpose of this article to discuss briefly these two groups and some of the more important companies in each.

The Shipbuilding Companies

In the first group, the shipbuilding companies, there are many of which the public at large has not heard. Practically all of these companies have been financed with private capital which exexplains why they are not generally known. The rate of return on the money invested in many of the companies was exceedingly small and in the cases of the best of these construction

companies, the interest received on capital put in was not to be compared favorably with similar returns in other lines. The same was true, it might be said in passing, of the shipping companies.

Among the largest and best known shipbuilding plants in the United States are the Newport News Shipbuilding & Dry Dock Company, the William Cramp & Sons Ship & Engine Building Company, the U. S. Steamship Co., and the New York Shipbuilding Corporation. These three have figured latterly in the public news but only because of the efforts of large capital to obtain hold of them and to weave them into a larger scheme of things, the objective of which is the meeting of foreign competition. Thus, within the past few months reports have been under way of negotiations for control of the Newport News plants and the prospective purchasers are said to include interests more or less closely identified with Cramp Shipbuilding.

Newport News Shipbuilding

The Newport News plant is one of the largest and most important shipbuilding plants in the country. The company employes some 6,000 men and has at present on the construction ways thirteen vessels representing an aggregate gross tonnage of 91,673. Of these, eleven will be launched in 1917 and the remainder in 1918. The company has done a great deal of work for the United States Navy, two of its latest constructions being the super-dreadnaughts, Pennsylvania and Mississippi. Of the seventeen battleships which made the famous cruise round the world, seven were built at the Newport News plant and at one time, these yards had the distinction of having under way, all at the same time, seven cruisers and battleships representing an aggregate cost of over $25,000,000. The plant is situated at the mouth of the James River near Hampton Roads, Va., the naval base of the United States. The company is capitalized at $8,000,000 consisting of $6,000,000 of 5 per cent cumulative preferred and $2,000,000 common stock. In addition, the company has a funded debt which, as of December 31, 1915, amounted to $7,600,000. The Newport News is controlled by H. E. Huntington.

Cramp Shipbuilding

The Cramp Company, which was incorporated in 1872 under Pennsylvania laws and which inherited the shipbuilding and general machinery business of William Cramp, which was established in 1830, owns a large plant of some 45 acres in Philadelphia and controls, through the ownership of the entire capital stock, the I. P. Morris Company (Port Richmond Iron Works) which build water turbines, the Kensington Ship Yard Company, engaged in dry-docking and repairing vessels, and the

INCOME ACCOUNTS OF FOUR LEADING SHIPPING COMPANIES.

CRAMP SHIPBUILDING CO.

Year.	Operating Income.	Balance for Charges.	Net Income.	P. C. on Stk.
1916.....	$1,497,255	$1,299,376*	$1,087,704	17.83
1915.....	956,797	956,797	651,635	10.69
1914.....	1,180,332	1,180,332	847,477	13.90
1913.....	561,796	561,796	306,676	5.03
1912.....	473,022	473,022	208,108	3.41

* After depreciation of $197,189.

INTERNATIONAL MERCANTILE MARINE.*

	1915.	1914.	1913.
Gross Revenues..	$61,669,167	$45,620,556	$49,480,857
Net Revenues....	28,269,781	7,792,304	10,006,567
Chgs. and Taxes.	10,928,754	4,485,275	4,289,608
Depreciation	3,759,367	3,609,557	3,417,272
Net Profits	13,581,660	‡ 302,528	2,299,686

* Not including Leyland Line earnings. ‡ Deficit.

UNITED FRUIT

	Net Income	Divs. Paid	P. C. Earned	P. C. Paid	Ex. Divs.	Surplus
1916..	$11,943,151	$3,415,468	27.97	8	....	....
1915..	5,900,522	2,927,544	16.12	8	....	....
1914..	2,264,911	2,927,544	6.19	8	$ 731,886	....
1913..	5,315,631	2,927,544	14.53	8	....	....
1912..	4,907,529	2,927,544	16.39	8	2,705,890	....

PACIFIC MAIL STEAMSHIP

	1916.	1915.	1914.
Gross Revenues.....	$4,264,477	$5,737,663	$5,560,240
Net Revenues	1,618,893	1,504,799	1,327,801
Net Income	1,154,651	888,481	710,841
P. C. Earned.......	5.77%	4.44%	3.55%
Surplus	$1,154,651	$888,481	$710,841

Federal Steel Castings Company located at Chester, Pa. Last year the company bought 108 acres of land for drydocks, on Petty's Island in the Delaware River.

Cramp possesses adequate equipment for building the largest ocean steamships and battleships designed as well as every smaller variety of merchant and

naval vessel. The war profits so far made by Cramps have been used to bring the plants up to the latest, most modern design. Steel and glass have replaced brick, and buildings and equipment which were regarded until recently as more than adequate, have been scrapped and new buildings and equipment of twice the capacity installed. Huge cranes, which were capable of working on one ship have been taken down and new cranes, capable of working on two vessels simultaneously have been installed. The new cost of production is estimated to be hardly more than 60 per cent of the old cost. At the present time the company has nine vessels underway representing an aggregate tonnage of 60,700 gross, and each of these will be complete and launched in the current year. According to the latest authentic figures obtainable, the net assets of the Cramp Company applicable to the capital stock amounted to $11,744,946 on April 30, 1916, or an equivalent of $194 a share. The company's net profits for the fiscal year ended April 30 last, amounted to about $1,497,000 or about 17.8 per cent on the $6,098,000 of stock. This stock is strongly held, as was revealed recently in the efforts of New York and Philadelphia banking interests to obtain control. Elsewhere in this article is a brief tabulation of the company's income account for several years past.

New York Shipbuilding Corporation

The New York Shipbuilding Corporation, which was, prior to the recent acquisition of joint control by the American International Corporation, W. R. Grace & Company, the International Mercantile Marine and the Pacific Mail Steamship companies, known as the New York Shipbuilding Company is regarded as offering the best facilities for the construction of vessels for the purpose of the several companies which have acquired this joint control. The purchase of these properties was made after a careful investigation by expert engineers of the large shipbuilding plants of the country. The company has a record for high efficiency in operating, and has the most complete layout of cranes, machine shops, warehouses, building berths and repair docks in existence this side of the Atlantic. In addition to the large building-berths already installed, there are under way plans for the construction of two additional building slips, which will cover an area 1,004 feet long and 304 feet wide. The plant has turned out some 170 vessels, many of which have had historic careers. Many battleships and cruisers have been built at its Camden yards, including the well known Utah, Arkansas and Oklahoma. Among the smaller craft with which the public is thoroughly familiar are the Hudson River boats, "Washington Irving" and "Robert Fulton." When the companies already named had acquired this shipbuilding plant a reorganization was effected and the new company, the New York Shipbuilding Corporation, was created. The latter is capitalized as follows; capital stock (no par value stated), 200,000 shares; first mortgage 5 per cent. sinking fund bonds, maturing in 1946, $7,500,000. These latter will be issued shortly, the total authorized amount being $25,000,000. Some $3,000,000 of cash has been invested in the property, of which $1,800,000 is available for new construction needed to take care of the government work and the increased demand for merchant vessels.

Orders and Earnings

The capacity of the yard for these purposes will be increased substantially over present capacity. At the present time the company has under construction twenty-one vessels with an aggregate gross tonnage of 120,554, of which fifteen vessels will be delivered in the current year and the remainder early in 1918. The net income available for dividends and interest charges reported for the year ended August 31, 1916, was $1,466,000 and it is estimated that based on the contracts on hand, the earnings for the fiscal year 1917 will be in excess of those for 1916, while the earnings for the ensuing years should show further material increases. Uncompleted contracts on the books on September 1, amounted to $13,000,000 and new contracts made since then aggregate about $23,000,000.

U. S. Steamship Company

This corporation controls 16 steamship lines representing a gross tonnage of about 61,000 tons. There is an authorized issue of $25,000,000 stock, $12,500,000 outstanding, par $10. The company was organized Dec. 25, 1915 and paid an initial dividend of 1% July 1, 1916. Other dividends since have been as follows: An extra of ½ of 1% in August, 1916, regular of 1% in September, an extra of ½ of 1% paid in October, regular 1% paid in November, an extra of ½ of 1% paid in December, the regularly bi-monthly dividend of 1% paid in December and the regular 1% has been declared this month with ½ of 1% extra payable March 1 to stock of record February 15. The company owns a large plant at Noank, Conn., the Palmer shipyard, where 700 men are employed and has bought 30 acres on the east bank of the Thames River near New London, Conn., as a site for a new shipyard. Construction will start soon and the plant when completed, which is expected to be within two years, will employ between 4,000 and 5,000 men and will have a capacity for turning out twenty 5,000 to 10,000 ton steamers yearly.

Other Large Shipbuilders

There are other large shipbuilding companies in this country such as the one belonging to the Bethlehem Steel Co., at Sparrows Point, Md., the Harlan & Hollingsworth Corporation at Wilmington, Dela., the Manitowoc Shipbuilding Co. of Wisconsin, the Pennsylvania Shipbuilding Co. at Gloucester, N. J., the Sun Shipbuilding Co. at Chester, Pa., and the Union Iron Works Co. of San Francisco, Cal., but little or nothing is known of the financial side of these companies and only in a general way are their equipments and capacities known. At the present time, there are under construction in the yards just named and in some thirty-five others, a total of 403 vessels representing an aggregate tonnage of 1,495,601 gross and of these 357 vessels with 1,250,722 of gross tons are due to be delivered in the current year.

The Shipping Companies

Now as to the companies in the second group, the shipping companies. These are much better known to the public at large, particularly to investors. The operations of these companies have become widely known, through the circumstances of the war. Chief among the steamship companies in which a large amount of American investors' cash has been placed are the International Mercantile Marine, the Atlantic, Gulf & West Indies, the Pacific Mail Steamship and the United Fruit companies. The operations of these companies, their earnings and the conditions under which they are operating are the topics of discussion in the magazines and newspapers each week, and the wide dissemination of knowledge concerning their affairs makes unnecessary here anything more than a brief discussion of the present position of these companies and their outlook so far as their securities are concerned.

Just now, by reason of the turn given to international affairs so far as the United States is concerned, through the severance of diplomatic relations with Germany, it would be difficult, if not impossible to forecast even a week ahead. War might be precipitated at any moment, so dangerously fine have matters between the two countries become balanced. The sinking of a ship by a German submarine, involving the loss of American life or lives that might have been saved will probably mean war forthwith. For, the time is past when Germany can offer to pay indemnity to this country for the loss of American lives.

Significance of War

War would probably mean that some of the best revenue-producing vessels in the ocean and coastwise services, vessels from the service of the Atlantic, Gulf & West Indies, the Pacific Mail and the American Line subsidiary of the International Mercantile Marine companies, would be requisitioned by this government to assist in whatever plans the war and navy departments might formulate. Of course, some compensation would be forthcoming from

the government to the companies which would be deprived of those vessels temporarily, but this compensation would come no where near what the vessels are able to earn as carriers under the present high freight rates. War, then, would mean a substantial loss in revenues to these companies and this would naturally be reflected in a depreciation of the market values of the securities issued by these companies.

That the situation has already been sized up generally to this effect is apparent by the action of the shipping shares in the market since the publication of the German note which resulted in the severance of our official relations with that country. War with Germany would bring in a new factor that might have a far-reaching effect on our shipping after the war. That factor is the possible destruction of American tonnage which has so far been practically immune from attack. A heavy loss of tonnage would lessen, by so much, our chance to share in the cream of the ocean traffic that will be prevalent under high rates for a year or two after the war. That will be the period of readjustment for world shipping and while the various countries which have suffered heavy tonnage losses in the war, are pulling themselves together again, those lines which have been able to maintain more or less their organization, as has the International Mercantile Marine, will naturally be the first and largest sharers in a lucrative ocean business.

Ocean freight rates are not likely to touch the before-the-war level for at least two years after peace is declared. That is the belief of many traffic experts. At the same time, ocean rates will likely not touch again the high levels reached at times during the war, once peace is declared, but the agreement seems general that the period following war will be one of the most prosperous in the history of shipping.

Conclusion

Shipping and shipbuilding companies alike will enjoy considerable prosperity, and the position of the American companies in the two related fields should show an improving tendency from year to year. So far as the building companies are concerned, the new naval program of the United States, the new shipping bill, and the wholesale destruction of tonnage of belligerent and neutral nations alike, together with the scrapping of obsolete tonnage called out by the war, there is not an industry in the country that should make greater progress and offer greater possibilities to investors than the shipbuilding industry.

The shipping companies on the other hand, are bound to play their part in the reconstruction abroad, must help carry the food, clothing and materials that will be in urgent demand by all European nations until such time that these nations are once again upon their feet and able to take care of their own domestic demands. All this will mean bigger and heavier sea traffic for a while than any that has ever been known.

Special Permission

A firm of shady brokers in Boise, Idaho, was prosecuted for swindling. In acquitting them, the court, with great severity, said:

"There is not sufficient evidence to convict you, but if any one wishes to know my opinion of you I hope that they will refer to me."

In a day or so the firm's advertisement appeared in the local papers with the following well displayed:

"Reference, as to probity, by special permission, to the Judge of the District Court of this County."—*The Lamb.*

Outlook for New Haven

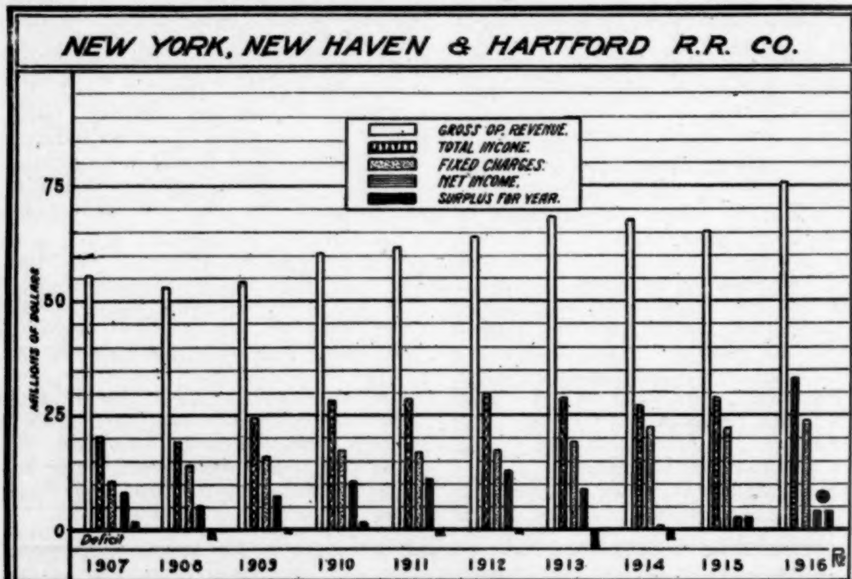
Troubles of This Famous Railroad and How They Can Best Be Adjusted—No Dividends in Sight for Years—Stock's Decline and Its Present Position

By A. U. ROSENTHAL

NEW HAVEN again! Leak investigations, peace notes, diplomatic breaks, follow each other in rapid and interesting succession; have their effect upon security prices and are promptly forgotten. But New Haven, the continuous performer periodically springs into the limelight. Periodically rises (or rather falls) in protest against the mismanagement of its former officials, periodically causes additional distress to its still "sleeping" stockholders and incidentally teaches a few aspiring speculators that nothing is necessarily cheap that looks cheap.

When the market was recovering from the "verge of war" panic, fresh liquidation suddenly broke out in New Haven and the stock declined to the lowest level in its history. Reasons were promptly forthcoming. Reasons are always *forthcoming* but *reasons* are a very inadequate balm for losses sustained.

Readers of this periodical had ample warning. The outlook for this road was clearly set forth in an article appearing last July. The writer said in part: "According to the present figures the New Haven Company is only able to earn about 2 per cent. on its outstanding stock. Assuming that this rate will be earned for the next five years; which, after all, is rather unreasonable since it is highly improbable that the fixed charges can be kept down to such a low figure in view of the extensive contemplated improvements, the price of the stock even around $60 per share seems *altogether too high.*" It was further stated: "Although market conditions may cause the stock to advance slightly from its present levels, assets earning



power and the proximity of dividends (and to all appearances they seem very far away) will sooner or later bring about an adjustment of values, thereby forcing the stock to seek the level to which it belongs. This adjustment may not occur in a week, a month, or even several months, but every stock sells eventually for what it is worth and we see no reason why the stock of the New Haven company should prove an exception. The stock has slowly declined without any substantial rally from around 89, which price it touched on the excited bulge in 1915 to its present price around 62. With only one slight upturn from around 68 to 72, in February, 1916, it has steadily sagged, noticeably under pressure, to around $62 per share where it stands at the present writing. Whether another upturn may occur now in view of the increased activity of the railroads would be difficult to determine, but unless present conditions are radically altered in the near future, we do not expect much higher prices for the stock and are rather inclined to believe that a further decline may be reasonably expected."

When the price for the stock was rapidly melting away last month, there were persistent rumors to the effect that a receivership was seriously being considered. These rumors were emphatically denied, it being stated at the time that the company's floating debt would be taken care of, that the bankers would renew the appromixately $45,000,000 notes maturing the 1st of May, and that there was no trouble in sight. The question is therefore, what is the situation in New Haven? Is the stock cheap at its present low levels if a receivership is avoided?

Cause of the Trouble

Reviewing the company's past, we find that the originally conceived idea of building a great combined system in New England was an admirable project in itself. The drawing together of a large number of hurtfully competitive lines, thus eliminating slow and costly transportation, waste and a pending railroad rate war, would, if properly consummated, have eventually made the New Haven system one of the most profitable in the country. Even though the courts later stepped in and declared the road a monopoly (as it already has) stockholders would not have suffered materially. Other "trusts" have been dissolved without detrimental effects. *But* the secret lies in the fact that the management pursued the famous or infamous—according to the way you look at it — policy of paying exorbitant prices for these acquisitions, notably the purchase of the Boston & Maine. The loss on this investment alone, is estimated at $21,635,828 and the total estimated loss on New Haven's outside investments reach the enormous total of $137,224,207.

TABLE I.
NEW HAVEN'S "OUTSIDE" INVESTMENTS.

Name.	Total Book Value.
Railroads Held Directly—	
Central New England Railway Co.	$3,197,594
New York, Ontario & Western Ry. Co.	13,108,398
N. Y., Westchester & Boston Ry. Co.	13,894,841
Railroads Held Indirectly (Through Boston R. R. Holding Co.)—	
Boston & Maine Railroad Co.	28,988,519
Street Railways Held Directly—	
Berkshire Street Railway Co.	9,881,156
Rhode Island Co.	27,317,135
N. Y. & Stamford Railway Co.	1,415,395
Westchester Street Railway Co.	1,302,427
Street Railways and Steamship Lines Held Indirectly (Through the New England Navigation Co.)—	
The Connecticut Co.	41,725,000
The New England Steamship Co.	12,100,000
The Hartford & N. Y. Transportation Co.	2,538,917
New Bedford, Martha's Vineyard & Nantucket Steamboat Co.	141,700
Other Properties Held Directly—	
The New England Navigation Co.	56,926,550
Millbrook Co.	2,413,241
Other Properties Held Indirectly (Through New England Nav. Co.)—	
Housatonic Power Co.	2,615,652
Total	$217,566,525

In April, 1914, the company agreed to dispose of certain competitive properties to avoid prosecution under the Sherman Law. The parent company has agreed to dispose of the Boston & Maine by January 1, 1918, the Connecticut and Rhode Island Trolley lines by January 1, 1919, the New York State Trolley

TABLE II.
NEW HAVEN'S COMPARATIVE INCOME ACCOUNT FROM INVESTMENTS.

	1916.	1915.	1914.	1913.
Dividends on stocks	$1,746,569	$1,450,667	$2,542,005	$6,487,517
Int. on bonds	941,765	179,118	273,243	241,344
Int. from unf'd sec.	1,175,373	1,387,588	2,049,877	2,222,096
Total income from invest.	$3,863,707	$2,017,373	$5,365,125	$8,950,957

lines by July 1, 1919, the Berkshire trolley lines at the same time and the Eastern Steamship Corporation by July 1, 1917. There are many others decisions pending but the upshot of the whole situation is that sooner or later a large part of New Haven's subsidiaries will have to be sold at a tremendous loss to the parent company.

The Best Way Out

Although the road may escape a receivership at the present time, the finances of the company are figuratively "sitting on a hot stove." The road's credit is so poor that the only means of financing its obligations lies in short term notes. This condition is uncomfortable, to say the least, for if the bankers at any time withdraw their support and refuse to renew these obligations, the road would in all probability be plunged into receivership. On May 1, 1917, the company has $45,000,000 short term notes maturing. They will be renewed it is stated, so that the immediate future it secure, but what arrangements will be made thereafter remains to be seen. Eventually something will have to be done and a readjustment of stock issues or even a friendly reorganization would seem to be the best way out of the difficulty. Under such a readjustment, New Haven could get rid of some of the back-breaking fixed charges and insure the company's future.

The Situation at Present

The question is what is going to happen *now* and is it a good plan to hold or purchase the stock at its present level (42)? For the year ending June 1916, a surplus of $4,315,757 or 2.75% on the outstanding stock was shown. Earnings for the 1st six months of the present fiscal year, however, are considerably in excess of the corresponding period last year, running at the estimated annual rate of 4.74%. The present improved showing is due directly to the increase in operating efficiency and the avoidance to a large extent of the deplorable congestion of traffic experienced last year.

But when it is taken into consideration that these are times of abnormal prosperity for the railroads, the earnings of this road are comparatively poor. Nearly every other road in the Country is showing better earnings than New Haven, and many of the so called "low priced" rails whose shares are selling for less than New Haven even now, are in a much better position.

Under the circumstances, it will be a long time before shareholders can expect dividends. Even though a fair margin over fixed charges was earned to allow a disbursement of 3% or 4% it certainly would be poor policy to start dividends. President Eliot has stated that at least twenty-five or thirty millions of dollars would have to be expended in the next five years over and above operating expenses, and fixed charges, for absolutely necessary improvements. Part of the funds required will be taken from earnings and part from the proceeds of the sale of property and securities. Leaving the fact that large sums will be necessary for improvements out of consideration en-

TABLE III

NEW HAVEN'S MONTHLY EARNINGS FOR THE FIRST 5 MONTHS OF THE CURRENT FISCAL YEAR.

	Gross Revenues		Operating Income		5 Mos. Earnings on Capital Stock	
	1916-17	1915-16	1916-17	1915-16	1916-17	1915-16
July	$6,967,345	$6,247,659	$2,377,194	$2,194,260	2.32%	2.12%
August	7,199,733	6,264,053	2,366,073	2,114,540		
September	7,105,636	6,313,161	2,187,436	2,161,888		
October	7,087,456	6,532,914	2,061,176	2,196,853		
November	6,840,778	6,407,273	2,077,456	2,047,317		
5 mos.	$35,150,947	$31,765,062	$11,069,335	$10,714,859		

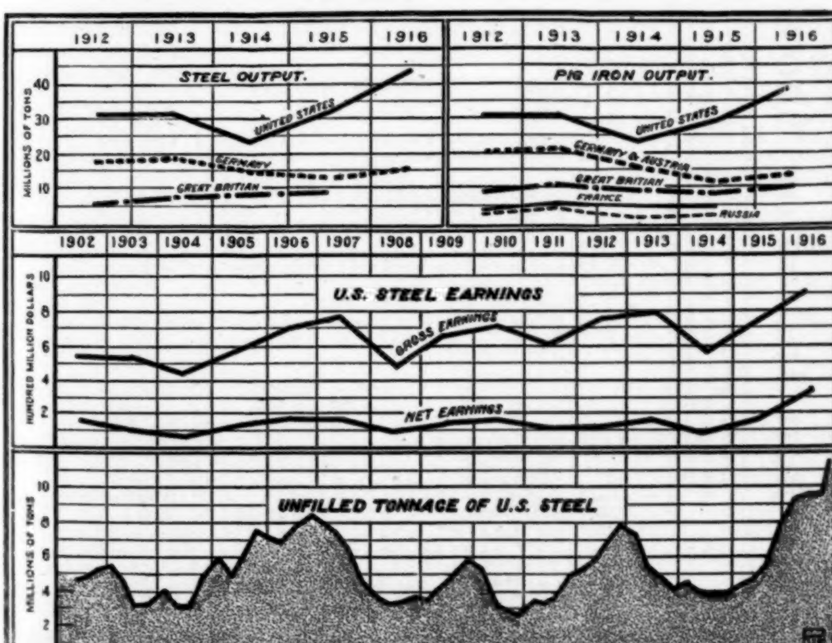
tirely, the "loss on investments item" is all important. To wipe out this loss of about $137,000,000, the road would have to earn at the rate of 5% on the stock, or about $7,500,000 per year for *20 years* and put back every cent of it into the property. The remoteness of dividends, therefore, must be obvious.

Position of the Stock

Not much encouragement can be given stockholders in view of the many uncertainties in the situation. Taking the fundamental basis for arriving at the true value of a stock, namely assets, earning power and prospects for dividends, the stock even around its present low levels can by no means be regarded as cheap.

When the prospects for this road are compared with those of Southern Railway Common, Rock Island, Common or even Missouri Pacific Common, the New Haven shows up to a decided disadvantage and it is not at all unlikely that the price of the latter's stock will eventually establish itself at or even below the current quotations for these low priced issues. Furthermore, it is by no means an impossibility that a receivership or at least a readjustment of stock issues will be effected. The road may drag on for a few years, financing its obligations with short term notes, but experience teaches us that this procedure usually results unsatisfactorily. After all, would not a friendly reorganization be the best way out? If action of this kind is taken the road would be able to rid itself of burdensome guarantees and contracts, reduce the excessive fixed charges and most important of all, strengthen the road's credit. Under any circumstances, receivership or not, the stock is not worth its present selling price.

Growth of the Steel Industry



Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth, as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

Railroads	Present Div. Rate	Dividend Yield on Present Price	Dollars Earned Per Share 1910	1911	1912	1913	1914	1915	1916	Present Price	Earnings Last Fisc. Year on Present Price	INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.
Colorado So. 1st pfd.	$4	7.2	34.72	27.04	17.64	19.59	4.77	6.52	25.32	55	46%	Earnings continue large.
Southern Ry. pfd.	0	0	9.59	11.12	11.27	11.79	8.07	2.76	15.56	63	24.7	Road bed improved—earnings good.
Ches. & Ohio	4	7	10.02	5.06	6.80	5.25	4.73	4.25	10.95	57	19.2	Heavy soft coal tonnage.
Buff., Roch. & Pitts. com.	6	6.6	11.11	12.85	13.43	16.82	9.47	5.26	15.28	91	16.8	Estimate of earnings an increase.
St. Louis S. W. pfd.	0	0	4.10	6.11	8.14	9.49	1.69	—1.40	6.37	40	15.9	Better business in view.
Louisville & Nash.	7	5.6	17.35	14.26	15.93	11.64	9.22	6.75	19.38	123	15.7	Cont. by At. Coast Line.
Minn., St. P. & S. S. M. com.	7	6.4	14.09	5.86	11.17	14.62	7.55	7.86	16.32	108	15.1	Pfd. and com. share above 7%.
Kansas City So. com.	0	0	2.17	2.74	0.15	2.68	2.95	1.00	2.97	21	14.1	Road physically improved.
Norfolk & Western com.	7	5.5	11.79	8.93	9.88	10.17	8.68	8.77	17.34	127	13.6	Huge business—extra div. 1%.
Atchison com.	6	5.9	8.99	9.30	8.19	8.62	7.39	9.18	12.30	101	12.1	Better rates allowed by I. C. C.
Southern Pacific	6	6.5	12.99	9.56	7.92	9.85	7.50	7.20	10.98	92	11.9	Increase in taxes and expense.
Chicago G. West. pfd.	2	5.8	0.88	1.87	0.45	3.03	1.98	1.92	4.02	34	11.8	On reg. 2% basis.
Can. Pacific	10	6.6	16.00	17.28	19.62	19.56	13.63	11.27	17.53	151	11.6	War tax—freight agmt. with Russian Governm't.
Union Pacific	8	5.9	19.16	16.61	13.88	15.14	13.10	10.98	15.65	134	11.6	Extra dividends.
Reading (50)	4	4.4	5.38	3.33	3.41	8.43	4.03	4.18	10.16	90	11.2	Big assets in coal property.
Illinois Central	6	5.9	7.16	10.20	3.12	6.02	7.40	6.29	10.80	101	10.6	Large sums spent for improvements.
Atlantic Coast Line	7	6.3	11.98	12.93	11.92	11.48	10.68	6.26	11.23	110	10.2	Continued gain in earnings.
Pennsylvania (50)	3	5.5	4.64	4.32	4.68	4.43	3.41	4.25	5.50	54	10.1	Record earnings 1916.
Nor. Pacific	7	6.8	8.99	8.24	7.93	8.69	7.93	7.59	10.37	102	10.1	Heavy freight tonnage 1916.
Great Northern pfd.	7	6.2	8.47	8.34	10.31	11.69	8.85	8.27	11.06	112	9.8	Equity in C., B. & Q. and Can. branches.
Chicago Northwest com.	7	5.9	9.34	8.48	7.09	9.55	7.58	7.28	11.39	118	9.6	Many physical imp. planned.
Chicago, Mil. & St. Paul com.	5	6.4	9.11	7.11	1.19	8.64	6.33	3.28	7.33	79	9.2	Good earnings. Big equipment orders given.
Balt. & Ohio com.	5	6.6	8.86	6.89	7.58	7.22	4.50	5.49	7.41	75	9.0	Heavy maintenance charges.
Lehigh Valley (50)	5	6.9	9.02	6.20	5.34	7.23	5.83	5.22	6.33	73	8.6	Earnings fair—coaler
N. Y., N. H. & H.	0	0	8.86	6.25	7.45	4.96	0.15	1.47	2.75	40	6.8	Financing to be done—divs. remote.
Seaboard A. L. pfd.	0	0	6.82	6.40	2.37	6.14	5.72	1.43	0.44	34	1.0	Improving gradually.
Erie R. R. 1st pfd.	0	0	10.60	8.46	5.85	13.95	0.33	12.56	....	39	32.1*	Increased expenses but big earnings.
New York Central	5	5.3	6.41	6.87	6.23	5.87	3.75	11.10	....	93	11.9*	New stock issue.
Del. and Hudson	9	6.2	12.54	12.32	12.95	14.53	10.84	14.28	....	145	9.8*	Traffic good. Div. rate assured.
P., C., C. and St. L. com.	0	0	5.36	4.91	7.12	....	0.89	6.88	....	79	8.7*	Recently pd. 5%. Pfd. and com. share above 5%.
Del., Lack. & West. (50)	5	2.2	17.71	16.90	16.58	13.36	14.13	12.96	....	227	5.7*	Large extra dividends.
Mo. Pacific	0	0	3.31	—6.30	—2.40	1.88	0.09	—1.50	....	10	0*	Reorganization.

* 1915 figures used.

Companies which have not reported 1916 earnings are listed below companies which have reported such earnings.

Railroad and Industrial Digest

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Market commitments should not be made without further corroboration.—*Editor.*

RAILROADS

Adams Express.—Reports to Interstate Commerce Commission for October total operating revenue of $3,227,373, an increase of $602,633 over corresponding period of 1915, and operating income of $183,746, a decrease of $172,651. Total operating revenue from July 1 to October 30 was $12,152,471, an increase of $2,264,406, and operating income for the period was $748,722, a decrease of $317,024.

Ann Arbor.—Report for the third week of January shows an increase of gross earnings of $4,832. Since July 1 last the increase over the preceding year has been $169,422.

Atchison, Topeka & Santa Fe Ry. Co.—President Ripley has announced a wage bonus for the employees, which will approximately amount to $2,750,000 and will affect all employees receiving less than $2,500 a year and not working under contract of 10% of their pay. The president states: "The same factors which have produced this prosperity have made substantial increases, which, it is hoped, will be temporary in the cost of living."

Atlantic Coast Line R. R.—Gross earnings for December last show an increase over 1915 (December) of over $500,000. The net after taxes was $5,159,240, compared with $3,595,442 for 1915's last six months.

Baltimore & Ohio.—Net operating revenue for December showed an increase of $238,000 and the total for the six months of 1916 ending in December amounted to $18,361,612, which was a net increase of $159,711.

Boston & Maine R. R. — For the year ended December 31 the company reports a surplus after charges equal to 11.64% on the common stock after preferred dividend requirements. This compares with $1,779,000 in 1915.

Buffalo, Rochester & Pittsburgh.—Operating revenue from July 1, 1916, to December 31, 1916, amounted to $6,768,748, or a gain of about $800,000 over the same period in 1915.

Canadian Pacific R. R.—Report of earnings for the last six months of 1916 amounted in the gross to $76,717,065, which was the largest since 1913. The net for these six months, amounting to $30,874,766, compares with 29,624,187 in 1915 and is the largest total for net during the last four years.

Chicago Great Western.—Announcement of the gross for this road from July 1, 1916, to the last week in January of this year was $9,601,550, or an increase over the preceding period of $1,154,149.

Chicago, Rock Island & Pacific.—Reorganization plan for the Chicago, Rock Island & Pacific Ry. Co. has been declared operative. Holders of the certificates of deposit have been called for the assessment. The first installment of $10 is payable at the Bankers' Trust Co. on March 3 next, the second installment is payable April 3 and the third installment of $20 is payable June 14. Failure to make the several payments may render the stock liable to forfeiture.

Colorado & Southern.—Reports from July 1 to December 31 as follows: Operating revenue during 1916, $9,065,022, and in 1915 this amount was $8,303,555. Net operating revenue for 1916, $3,789,549, and during 1915 the corresponding figures were $3,134,305. The operating income for 1916, last six months, was $3,416,890, against $2,783,475 in 1915.

Delaware, Lackawanna & Western R. R.—Reported to the Interstate Commerce Commission for December a total of operating revenue of $4,296,219, an increase of $74,021 over the same month last year and a net operating revenue of $1,241,893, which was a decrease of $361,242 compared with 1915. An additional item of $170,382 for taxes, almost $100,000 more than in 1915, added to the decrease in net.

Erie R. R.—A petition has been received by the Public Service Commission of Albany from the Erie R. R. for consent of the issuance of a first and refunding mortgage for $500,000,000.

Illinois Central R. R.—Will pay its 125 cash dividend to stockholders of record on March 1. The net revenue for the last six months of 1916 was $9,511,386, an increase of $2,604,152.

Louisville & Nashville.—This railroad, like all the other railroads throughout the South, benefitted from increased business during 1916. From July 1 to the last week in January the comparative increase over the previous year amounted to $4,984,503.

Minneapolis & St. Louis R. R.—The gross earnings of this road have increased $273,710 for the last six months of 1916, and the operating expenses have increased $303,470, which gives the road a net decrease for this period of $29,760. However, the mis-

cellaneous charges and credits to income were $70,000 less than in the same period in 1915, which gave their statement a net gain of a little over $40,000.

New Haven.—Stock has recently been selling at a new low record, but it has been unofficially announced that all obligations of the road falling due within a short period have been cared for. Both the short term notes of the railroad and those of the New England Navigation Co. are in process of being cared for, according to the reports received from the officials of the company.

New Orleans, Mobile & Chicago R. R. Co.—Those who hold certificates of deposit under the bondholders' protective agreement may now receive the stock and scrip of the Gulf, Mobile & Northern R. R. Co., which is due them under the plan of March 24, 1915. These voting trust certificates of the Gulf, M. & N. R. R. will be ready for delivery on February 21.

New York Central.—It has been officially stated that any part of the $25,000,000 new stock recently offered to the stockholders which may not be subscribed for will be turned back to the treasury of the company. Suit has been brought in the Ohio courts to prevent the sale of this stock, and the outcome has not been announced. For this reason the rights did not expire on February 5 and the time for making payment was extended to February 16. If there should be a further delay the time will again be extended. It was impossible to withdraw the offering because the warrants had been sent out and acted as a lien against the company.

Pennsylvania R. R.—Pennsylvania reached its highest record in 1916. Both gross and new earnings were the largest for any single year in the history of the road. The gross revenues for all lines, $441,010,417, was an increase of $69,261,973, or 18.6% over 1915. The net earnings were 23.7% over the 1915 figures, and the surplus income was equal to 10.01 on about half a million of common stock, which compares very favorably with 8.09% earned in 1915 and 6.83% in 1914. The month of December, however, showed a marked falling off for 1916 and showed a decrease of over $1,700,000, as compared with December, 1915. The Pennsylvania is building 225 new locomotives, 92 passenger cars and 2,100 freight cars to handle the expected business and to replete old stock. The building requirements will amount to about 46,000 tons of steel.

Rutland R. R.—Earnings for eleven months to December 1 last were about 8% on the preferred stock. Dividends have only been paid, 1905-1907, at the rate of 1½%, and since that time no dividends have been paid. The New York Central and New Haven, which together control 51% of the stock, have advocated a policy which has turned nearly $1,558,000 of income back into the property, and there is some prospect of a dissolution of the stockholders' protective committee.

Southern Pacific.—Notice has been received that the company contemplates building 2,000 box cars, 250 stock cars and 500 flat cars in its own shop.

Southern Railway.—Earnings of this road have increased substantially for the last fiscal year. The gross amounted to $39,933,769 for 1916, as compared with $34,973,882 for the preceding year.

Texas & Pacific.—The receivers of this railroad intend to spend about $3,000,000 on improvements. These improvements will be in the nature of new rolling stock of all kinds and the reballasting of about 100 miles of track.

Union Pacific R. R. Co.—The fiscal year has been changed to agree with the calendar year on account of the necessity of uniform reports to the Interstate Commission. The earnings for 1916 have been announced as follows: Operating revenue, $114,412,607, an crease of $22,460.36, and operating income $45,056,671, also an increase of $11,896.36. The company has declared an extra dividend of ½ of 1% on the common stock. The regular semi-annual dividend of 2% on both the common and preferred has also been declared.

Virginian Railway.—Stockholders have voted to increase both the common and preferred stock, the common four million and the preferred six million dollars. The preferred stock may be withdrawn after a period of three years at $105 per share. The additional stock is both for improvements and new equipment.

Wabash Pittsburgh Terminal.—Report for the last six months of 1916 was as follows: Operating revenue, $1,033,910, an increase of $190,370, and operating expenses, $628,479, an increase of $138,749.

Wabash Railway Co.—Shows a net increase for the twelve months ending December 31, 1916, of $5,535,759. The total net revenue amounted to $12,846,687, and this included an increase in the operating expenses over the preceding year of $1,498,027.

Western Maryland.—Notice has been served by this company on the Public Service Commission of Maryland that they desire to spend about $4,500,000 for new equipment of all kinds. These contemplated purchases will be financed by the recent $6,000,000 note issue. For the first week in February the company reports earnings of $207,083, an increase of $7,015 over the same period in 1915. Earnings since July 1 amount to $7,670,768, an increase of $1,171,810 over last year.

Industrial Digest

Allis-Chalmers Co.—Annual report shows a balance after charges and preferred dividends equal to 8⅝% on the common stock, as against 2⅛% the previous year. Unfilled orders at the close of December were the largest on record, over $13,000,000. When this is compared with unfilled orders of about $7,600,000 at the end of July, 1915, the growth of business is apparent.

American Brass.—Earned last year almost $11,000,000 net, which was an increase of nearly $5,000,000 over the preceding year and amounted to $72.65 a share earned on the 150,000 shares. After all dividends hae been paid there remained a surplus of $7,241,669.

American Can Co.—Earnings for 1916 were the largest in the history of the company, amounting to $11,091,408.29, as compared with $6,533,806.42 in 1915. The balance carried to surplus after deductions for depreciation, fixed charges and dividends was $5,076,650.63, as compared with $2,142,942.08 in 1915. The volume of business in usual lines exceeded all previous records. In the export department no profits have as yet been shown under the contracts mentioned in last year's report, but difficulties causing delays have been overcome. Under readjustments of contracts made in 1916, extensions of time of delivery were made without penalty, and liberal additional advance payments were received. Shipments in large volume began some months ago and are proceeding regularly. No rejections of importance have occurred. Present foreign contracts should be completed in the near future. The management is confident that substantial net profits will be realized from this business.

American Foreign Securities.—Directors have declared a dividend of 5% from the earnings for the past six months ending February 1, 1917.

American Ice.—Profits equal to 5% on the outstanding $15,000,000 preferred were shown last year. The first dividend on these new preferred shares will possibly be paid in April. The net in the first two months of the fiscal year increased more than $109,000.

American Locomotive.—During the last six months of 1916 this company earned 11% on its common stock. S. L. Shoonmaker, chairman of the Board of Directors, stated that all the profits of the company from January 1, 1917 to June 30, 1917, would be available for dividends on the common stock. It is reported unofficially that very little of this 11% earned on the common accrued from munition profits. There is a large cost for installation of the machinery for munition production and the matter of taxes, both United States and Canadian equalled about 7% on the common stock.

American Steel Foundries.—Has enjoyed an unusual period of prosperity. Deficits have been the regular reports in the past, but for the year 1916 the net earnings were $4,842,237, against $517,325, and a surplus was established amounting to $3,418,057, as against a $313,434 deficit in the year previous.

American Woolen.—As a precautionary step has withdrawn all its lines of goods for fall delivery. This decision has been construed as a move to clear the way for probable large clothing orders from the United States in the event of war.

Cambria Steel.—Is to have an outlet within the year for its recently purchased acreage of coal, as the Pennsylvania R. R. Co. plans to construct a six-mile road from Delmont to Saltsburg, Pa., at a cost of about $700,000.

Colorado Fuel & Iron.—Reports for the quarter ended December 31, 1916, gross earnings of $9,157,817 as compared with gross earnings in 1915 of $5,800,093, an increase of $3,357,724. Net earnings $1,186,359 as compared with $896,351 for the corresponding period last year, an increase of $990,008.

Driggs-Seabury.—Earned 7.86% on the $8,835,500 common stock during 1916. Net profits amounted to $3,149,436 after $5,998,313 had been deducted covering cost of sales, selling and general expense. After both dividends on the common and preferred had been paid there was left for profit and loss surplus $294,069.

Federal Motor Truck.—Stockholders voted February 13 on recommendation of directors that authorized capital stock be increased from $500,000 to $2,000,000 and that a 100% dividend in stock be issued to the shareholders, the remaining $1,000,000 of new stock, par value $10, to be retained in the treasury for such future use as may seem advisable.

General Chemical.—Surplus for 1916 was a little over $800,000 more than in 1915. A larger amount than usual was charged out for plant and investment account, while the total and net profits as to insurance and reserve was double that of 1915. The 1916 amount was about $11,000,000, and that for 1915 about $5,200,000.

Great Atlantic & Pacific Tea.—Sales for 11 months ended January 27, 1917, amounted to $66,622,066, an increase of $26,708,445 over corresponding period of 1915.

Hartman Corporation.—Reported net profits for 1916 of $1,802,032, an increase of $447,257 over 1915. Net earnings were equal to 15% on the capital stock.

International Paper.—Is in the process of a readjustment of its securities. There is

offered to present preferred holders 7½% of the face value of their holdings in cash, 14% in 6% cumulative preferred stock and 12% in common stock. Holders of the present preferred stock are asked to deposit their holdings with the Bankers' Trust Co. not later than March 1 next. The deposited stock will be in charge of a committee, who are authorized to create a new first and refunding 5% mortgage, which issue shall not be more than $20,000,000. Unpaid dividends on the present preferred stock amounts to 33½%.

Kelly Springfield Tire.—Report for the full year shows gross profits of $3,464,000, compared with $2,880,000 in 1915. The net income equals 38 9/10% on the common stock after deducting $215,598 on the preferred stock, compared with 29.67% on the common in 1915.

Lackwanna Steel.—Unofficial estimates point to earnings for January equal to about $4 a share on the stock. Company has suffered from freight congestion and lack of adequate shipping facilities, and if it could have obtained its full quota of such facilities its earnings would have been larger.

Lee Rubber & Tire.—Directors passed the usual quarterly dividend due, to be declared payable in March. Although there is still a surplus an official announcement stated that the management wished to reserve this for the development of its business.

Montgomery, Ward & Co.—For the year ended December 31, 1916, showed net profits of $4,200,791, an increase of $1,728,133 over 1915. Gross sales were $62,044,338 compared with $49,308,587. The earnings were equal to $14 a share on 300,000 shares of common stock.

Poole Engineering & Machine.—Has received a $1,000,000 rush order from the United States Government for gun carriages for heavy coast defense coast guns.

Republic Iron & Steel Co.—Reports for the year ended December 31 last net earnings of $18,683,009 compared with $7,086,907 in 1915 an dnet income of $15,647,899 against $4,385,722. The balance available for the common stock, after the 18% dividends paid on the preferred, was equal to more than 37% of the total junior issue outstanding. The report shows total quick assets of more than $19,700,000, or approximately $70 a share on the par value of its common stock. Total property values are shown to be over $74,000,000, of which amount in excess of $30,000,000 represents new construction. Cash on hand is in excess of $9,500,000, after anticipating sinking fund requirements for two years in advance. Additions to the surplus account for the past two years have added more than $65 a share to the intrinsic value of the common stock.

Sears, Roebuck.—Report for the year ended December 31, 1916, showed a balance after preferred dividends of $15,924,434, equal to 26.54% on the $60,000,000 common stock, as compared with 17.56% earned on the same stock in 1915. The distribution of a 25% stock dividend has been recommended for payment to stockholders of record March 15, while the directors have decided to increase the present dividend rate of 8% per annum, beginning May 15. A remarkable feature of the 1916 report was that it showed that the ratio of net from each dollar's business increased despite the fact that merchandise of every description has generally advanced to high prices.

Semet-Solvay Co.—It was announced February 1, 1917, that this company had declared a regular dividend of 2% and an extra of 3%, payable February 20 to stock of record February 5. In addition to the regular dividend a special dividend of 20% was declared, payable April 16 to stock of record March 1, 1917.

Smart-Woods, Ltd.—Earned for the year ended December 31, 1916, a net manufacturing profit of $516,190 against $397,659 the previous year. After preferred dividends there was a balance equal to 16.6% earned on the common stock.

The S. S. Kresge Co., chain stores, reports for last year gross sales of $26,396,544, an increase of 26.04% over 1915, and net profits of $2,129,348, an increase of 64.65%. After allowing for the 7% dividend on the $2,000,000 of preferred stock, the balance available for the common was equal to 19.89% on the $10,000,000 outstanding, compared with 11.53% the previous year.

Woolworth, F. W.—It is unofficially stated that the earnings of this company were larger than usual for the first month of 1917. The 1916 official report showed gross to have increased from $75,995,774 in 1915 to $87,089,271 in 1916. After payment of preferred dividends there was a balance of 15.57 on the common stock, against 13.18 earned on the same amount in 1915.

Railroad and Industrial Inquiries

Atchison Pfd.

R. S. W., Somerville, N. J.—Atchison Pfd. is one of the highest grade railroad preferred stocks available. If you are holding it for safety and income only, you are perfectly warranted in doing so with a feeling of entire security as far as your principal and interest are concerned.

Wabash

L. R. G., New York City.—Wabash Pfd. "A" is now on a 4% per annum basis and earnings are running at the rate of about 8½% per annum as compared with 6.29% shown last year. There is good reason to suppose that if the present prosperity of the road continues, the dividend rate will be raised to 5% in the not distant future. However, present earnings must be considered somewhat abnormal and it must also be borne in mind that the rising costs of material and labor, etc., are now cutting into net profits of practically all the railroads.

The reason that Wabash is selling on such a high yield basis is not only because of the belief that the margin of safety over the dividends is now larger than it is likely to be for some time in the future, but also because the reorganized road has not yet had a chance to establish its earning power.

We are disposed to regard the stock as selling at a very reasonable price and we think if anyone wants to take a certain amount of risk, that the stock offers attractive enough speculative possibilities to warrant a purchase even at this time, provided a stop order is used.

International Agriculutral

F. P. A., Buffalo, N. Y.—International Agricultural is now benefiting from large shipments of acid on its contracts with the Tennessee Copper Co. For the year ending June 30, 1916, earnings were equal to $19.80 on the preferred stock and $5 on the common stock, after allowing 7% preferred dividends. In 1915, however, there was a deficit on the preferred; a very small margin in 1914, and a deficit in 1913 when dividends were suspended. The accumulated dividends now amount to 26¼%. In view of the improving position of the Tennessee Copper Co. enabling it to increase its output, it is possible that the International Agricultural Corporation's earnings will continue to show improvement. Recent official statements indicate that the company is not contemplating any dividend payments in the near future, as it is desired to further strengthen the financial position of the company.

The stock offers very fair speculative possibilities for the long pull. Bonds of this company are in a much strengthened position, owing to the larger earnings and the conservative policy of the company, and they may now be regarded as being on a very safe basis as to principal and interest.

Colorado & Southern

W. H. M., Lusburg, Fla.—Colorado & Southern 1st Pfd. is now earning at the rate of about 29.45% per annum, based on the result of five months of the current fiscal year. A dividend of 2% was declared on September 22 out of surplus and it was stated at that time that this dividend would be continued semi-annually, if earnings warranted it. In view of the very favorable showing, there should be little doubt of a continuation of the rate semi-annually which would give the stock its 4% per annum dividend to which it is entitled.

The stock appears to have fairly attractive possibilities and we believe that you would be reasonably safe in holding it for two or three years. However, as the issue is a 4% noncumulative stock, its possibilities are limited.

The industrial unheaval in Colorado, beginning in 1913, hit the earnings of this company hard and caused the suspension of dividends altogether in 1915. In 1914, only 2% was paid. Previous to that the regular 4% per annum rate was maintained. The stock sold as high as 86 in 1909 and its high levels from that time to 1914 ranged between that price and 62. The stock never sold much below 60 from 1909 to 1913. In 1914, the stock went down to 37⅜.

Maxwell Motor

G. H. W., Houston, Pa.—Maxwell Motor is selling at its comparatively low price for various reasons. All that you say about the financial position of the company, etc., is true, but the market is taking into consideration the possibilities of the future. It is recognized that the Maxwell Motor earnings have probably reached their high point, and from now on will show a decline. Competition, rising costs of material and labor, etc., are the big factors now. Moreover, holders of the first preferred stock have not altogether approved of the company's policy in paying out such large dividends on the common stock, and believe that if this is continued, it will impair the position of the preferred issues.

Maxwell 1st Pfd. is a semi-speculative stock which, if held for the long pull, should ultimately prove profitable. If you are a holder and are willing to assume a certain amount of risk, we think that you would do well to keep your stock, but we would not suggest a purchase of it at the moment, especially in view of the generally uncertain market conditions.

Chevrolet Motors

M. W. S.—Chevrolet Motors is very heavily capitalized. The company is now showing large profits, but it is a question as to what its position will be in the next period of depression or when the effect of rising material and labor costs and competition in the automobile industry becomes more marked. This company is manufacturing a car to compete

with the Ford car, which of itself is a very difficult proposition. It is expanding in a way that we think will hardly be justified by future developments. We are given to understand through reliable trade sources that the assets of the company represent a very small proportion of the equities suggested in a capitalization of $20,000,000, the original issued capital of the company. The stock has already had a drastic decline, as you doubtless know.

American Woolen

R. K., N. Y. C.—American Woolen is selling on its present high yield basis simply because there is no certainty as to the maintenance of its present dividend rate. The past record of American Woolen is a poor one. The company's abnormal profits now are due almost entirely to conditions brought about by the war. With the close of the war, it is very likely unless protective tariff measures are put into effect, that foreign competition will again prove a serious factor for the company to reckon with.

Seaboard Air Line

S. R. Kingston, N. Y.—Stockholders of the Seaboard Air Line Railway of November 15, 1915, approved of a plan for the consolidation of the company and its subsidiaries into an enlarged system, simplifying the former financial structure of the company. The terms of the merger provided for the issue of $2,280,000 par value 6% preferred stock, $25,000,000 par value of 4-2% preferred stock and $40,000,000 par value of common stock in exchange for outstanding stock and bonds of the consolidating companies. The old Seaboard Air Line Railway Pfd. stock, of which you are a holder, is exchangeable into the new 4-2% pfd. All but a small amount of this stock has already been exchanged, there being outstanding $23,894,100 of the new stock. This stock is entitled to 4% non-cumulative dividends in any year and is entitled to 2% additional in any year after 4% has been paid on the common stock. It is convertible at the option of the holder until July, 1921, either into two-thirds of a share of 6% pfd. stock and one-third of a share of common stock or into an equal amount of 5% pfd. stock.

Westinghouse

R. D., Boston, Mass.—Westinghouse Electric is earning big money now, due to the abnormal conditions brought about by the war, but a stoppage of this business will bring marked decreases in the company's earnings, and it is not unlikely that the company may not be able to maintain the 7% dividend in the next period of depression. President Tripp announced at the time the new stock was offered: "Net profits for the seven months ended October 31, 1916, were $7,651,000. During the early months of this period large amounts were written off for depreciation for special tools and other facilities required in connection with contracts for the making of shells. These items have now been all absorbed so that the company's net income from all sources after deducting interest charges is now averaging over $1,600,000 per month. A continuance of this rate will close the fiscal year ending March 31, 1917, with a profit of over $15,000,000, equal to 25% on the entire share capital of the company now outstanding."

SUGGESTIONS IN REGARD TO INQUIRIES

The very heavy volume of inquiries which this publication is now receiving makes it necessary to ask our subscribers to co-operate with us in order that we may maintain and improve the high quality of service which the Investors' Personal Service Department renders to our readers. We therefore suggest that:

(1) Not more than two or three inquiries be asked at one time. Occasionally a subscriber sends in a long list of securities asking for an opinion on each. The careful manner in which the Investors' Personal Service Department handles its inquiries makes it impossible to give such inquiries the immediate attention necessary, without slighting other inquirers.

(2) Write all inquiries on *separate* sheets of paper, which should bear the writer's name and address.

(3) Enclose stamps or stamped and addressed envelope.

The above suggestions are drawn up for the benefit and protection of our readers and those inquiries which conform with them will receive first attention.

When a reader wishes a special investigation or a special analysis of a security or a subject we will be pleased to submit an estimate of the special charge for such work.

How to Read a Balance Sheet

Some Points of Interest to the Investor Brought Out by an Analysis of an Erie Balance Sheet

By RICHARD HOADLEY TINGLEY

THE full and complete reproduction of a balance sheet of most of the large corporations, especially those that are the result of combination and merger growth, would be too lengthy and extended for display in the ordinary stock or bond circular or in the manuals. To be fully understood, each of the items covered in the general statement must be analyzed and extended.

There often rise cases where there is demand for full information; where something more than a skeleton outline seems needed. In such instances recourse must be had to the fountain head of information; to the reports such as are often, and quite usually, submitted to stockholders by the president at annual meetings. Such reports are easily obtainable and are printed for general circulation. They usually carry practically all of the information one ought to have, particularly if the corporation is of a public service character where the bookkeeping and reporting requirements of regulatory bodies are quite strict.

In the balance sheets submitted, even in the reports to stockholders of industrial and other non-utilities companies, there is not always that frankness of expression to be found, nor that willingness to disclose details, that is in evidence in the reports of utilities companies.

Nevertheless, to a prospective purchaser of any certain securities who finds the published circular and manual information unsatisfying, it is recommended that he seek the more explicit and detailed information that reports to stockholders contain, and, failing satisfaction here, to probe deeper before fully making up his mind regarding investing.

A prospective investor should examine the security he has in mind from all angles; he should take into consideration its market value for a period of years and if undue bulges or depressions occur he should endeavor to learn the reason. If he finds the stock he contemplates buying has been paying, say 6 per cent. dividends and has been earning, say four or six times this amount, he should try to find out what is being done with the excess; whether it is being turned back into the company in improvements or betterments; whether it is allowed to accrue in the form of dividend paying investments; whether it (or some of it) is set aside to take care of depreciation and obsolescence of certain parts of the plant or property, or whether it is being absorbed (duly or unduly) by the officers of the company in salaries. The study of a really detailed balance sheet, when taken in connection with accompanying financial and earnings statements, will satisfy many of these points, if intelligently gone about.

An Erie Balance Sheet as Illustration

For purposes of illustration only, the balance sheet of the Erie Railroad is here reproduced as Exhibit A. This is an exact copy from the published report of the president to the stockholders of the condition of the property as of December 31st., 1915 (the latest report). This particular illustration is taken because it represents a type of intelligent exhibit, from a study of which a prospective purchaser of any of the securities this railroad has to offer (and it has many) may learn much of interest.

Assets and Liabilities Contrasted

The first feature that attracts attention in the Erie balance sheet is the fact that practically three-fifths of the entire assets shown are contained in the

EXHIBIT "A"

CONDENSED GENERAL BALANCE SHEET, COMPARATIVE—DECEMBER 31, 1915, AND DECEMBER 31, 1914.

ERIE'S COMPREHENSIVE BALANCE SHEET

December 31, 1914.	Asset Side.	December 31, 1915.	
	INVESTMENTS:		
$399,849,408 11	Investment in road and equipment		$409,399,398 18
476,336 69	Improvements on leased railway property—Since June 30, 1914		1,599,617 53
7,083,384 50	Sinking funds		7,963,124 76
300 00	Deposits in lieu of mortgaged property sold		300 00
	Investments in affiliated companies:		
94,199,190 98	Stocks	$93,901,154 96	
47,870,882 88	Bonds	36,197,139 36	
550,300 00	Notes	1,432,000 00	
9,737,341 33	Advances	7,097,418 08	138,608,754 85
	Other investments:		
148,380 00	Stocks	$127,911 00	
....	Bonds	6,000 00	
30,395 79	Notes	32,455 78	
452 71	Miscellaneous	1,510 37	168,077 15
	CURRENT ASSETS:		
8,419,974 04	Cash	$9,085,484 53	
1,873,655 08	Special deposits	137,312 02	
15,330 38	Loans and bills receivable	33,378 64	
798,091 08	Traffic and car-service balances receivable	970,380 29	
4,300,353 96	Net balance receivable from agents and conductors	1,887,580 84	
3,841,333 86	Miscellaneous accounts receivable	2,700,205 54	
4,837,907 46	Material and supplies	4,380,100 72	
301,601 55	Interest and dividends receivable	218,580 12	19,770,004 80
	DEFERRED ASSETS:		
39,893 45	Working fund advances	$29,724 06	
9 00	Other deferred assets	218,402 76	248,126 81
	UNADJUSTED DEBITS:		
77,180 86	Rents and insurance premiums paid in advance	$154,498 28	
288,019 08	Other unadjusted debits	694,472 46	
28,894,000 00	Securities issued or assumed-Pledged-Bonds	27,894,000 00	28,632,970 74
$497,440,446 42			$506,187,204 85

December 31, 1914.	Liability Side.	December 31, 1915.	
	STOCK:		
	Capital stock:		
$112,378,900 00	Common	$112,378,900 00	
47,892,400 00	First Preferred Non-cumulative	47,892,400 00	
16,000,000 00	Second Preferred Non-cumulative	16,000,000 00	$176,271,300 00
	LONG TERM DEBT:		
15,496,965 96	Equipment obligations	$13,169,902 90	
186,110,900 00	Mortgage bonds	190,310,900 00	
37,889,500 00	Collateral trust bonds	37,889,500 00	
28,500,000 00	Collateral gold notes	13,380,000 00	
1,027,178 46	Miscellaneous obligations	907,069 05	243,564,452 04
	CURRENT LIABILITIES:		
10,980,000 00	Loans and bills payable	$10,026,000 00	
1,839,014 98	Traffic and car-service balances payable	2,190,889 89	
6,881,888 57	Audited accounts and wages payable	5,165,238 90	
205,754 97	Miscellaneous accounts payable	293,837 23	
1,675,085 80	Interest matured unpaid	2,096,856 60	
21,459 00	Dividends matured unpaid	17,707 00	
436,235 00	Funded debt matured unpaid	391,285 00	
2,064,231 22	Unmatured interest accrued	1,969,880 18	
610,674 88	Unmatured rents accrued	600,915 19	23,754,580 97
	DEFERRED LIABILITIES:		
190,188 73	Other deferred liabilities		164,090 81
	UNADJUSTED CREDITS:		
8,794,198 96	Accrued depreciation—Equipment	$9,837,339 39	
253,508 40	Other unadjusted credits	320,239 49	10,157,569 08
	CORPORATE SURPLUS:		
5,889,109 34	Additions to property through income and surplus	$6,912,536 41	
6,997,843 86	Sinking fund reserves	7,238,914 08	
31,705,083 43	Profit and loss—Balance	36,918,323 01	51,385,123 43
$497,440,448 42			$506,187,204 85

first item; "Investment in Road and Equipment." This item too, is the most difficult to prove or disprove or to "check up" if one were inclined to do so. The Erie operates 2,257 miles of line, most of which it owns in fee but some of which it controls, either through ownership of all or a majority of capital stock, by lease or trackage rights, and in this item belongs the cost of everything pertaining to the physical part of this mileage; its road-bed, rails, ties, rights-of-way, terminals, stations, station grounds, bridges, culverts, locomotives, marine equipment, passenger and freight cars, etc., in fact, every physical thing that a railroad must have in order to fulfill its mission as a common carrier. Who is there who will say from the stand-point of an outsider that the aggregate of these items is or is not properly represented by the sum contained in the balance sheet—$309,329,228? One would be bold indeed to contradict or even criticise this figure without months of "inventory" study, and then, the results would, no doubt, prove most unsatisfactory to him. The Federal Government is undertaking to check up such figures with its so called valuation work, not only of the Erie, but of all the roads in the United States; 250,000 miles of them. The Erie, however, has not yet been reached by the government valuers, and, in the meantime, the prospective investor who is looking into any of the "Eries" had best take it for granted that the sum reported to cover "Investment in Road and Equipment" by president Underwood is substantially correct. It is necessary to repose confidence somewhere, sometimes, and at this point confidence seems necessary.

The balance of the assets coming under the heading of "Investments" are more easily accounted for as they refer to items that can readily be found in the companies' books, indeed they are quite fully explained in the text of the president's report. The total amount carried on the balance sheet under the general heading of "Investments," including improvements on leased property, sinking fund, stocks, bonds, notes of affiliated and other companies, as well as the item of "Investment in Road and Equipment" previously referred to, amounts to $457,508,102.47. Contrast with this the corresponding total outstanding obligations as they appear on the liabilities side of the sheet in the form of stocks, bonds, notes, etc. in the amount of $421,835,752.04, and it will be found that these assets exceed the liabilities by $35,672,350.43, thus accounting for a large amount of the "Corporate Surplus" shown.

In like manner, contrasting "Current Assets" with "Current Liabilities," a difference in favor of the liabilities side of the sheet amounting to $2,986,656.17 will be discovered.

Still, in like manner, contrasting "Deferred Assets" with "Deferred Liabilities" and a difference in favor of the assets side of $84,046.53 developes.

Still further, when "Unadjusted Debits" are contrasted with "Unadjusted Credits," the assets side is found to be $18,495,381.66 in excess of the liabilities.

EXHIBIT "B"
HOW ERIE'S CORPORATE SURPLUS IS FIGURED

Item 1.	Excess of "Investments" over outstanding stock, bond and note obligations	$35,672,350.43
Item 2.	Excess of "Deferred Assets" over "Deferred Liabilities"	84,046.53
Item 3.	Excess of "Unadjusted Debits" over "Unadjusted Credits"	18,495,381.66
	Total excess of Assets..	$54,251,778.62
Item 4.	Excess of "Current Liabilities" over "Current Assets"	2,986,656.17
Item 5.	Net excess of Assets over Liabilities Represented by the "Corporate Surplus" in the Balance Sheet..	$51,265,122.45

Finding the Corporate Surplus

Tabulating the foregoing the result is shown in Exhibit "B."

Corporate Surplus

The Corporate Surplus represents the "meat" of the balance sheet and discloses the fact that the property is in a healthy condition. The amount, when contrasted with the figure carried to this surplus in the previous year also shows further advancement in the right direction.

Corporate Surplus, 1915........	$51,265,122.45
Corporate Surplus, 1914........	44,312,610.66
Increase in Surplus...........	$6,952,511.79

Study of Revenues and Expenses

Having completed the study of the balance sheet, and, with a mass of real information as to the physical and financial condition of the property in mind, the investor is then ready to turn his attention to the report of revenues and expenses also treated of in detail in the annual report to the stockholders, and from this to the market quotations on the particular Erie security in which he is interested. Whether this be the common stock, the first or second preferred, equipment notes, mortgage bonds, collateral trust bonds, collateral gold notes or other obligations, the investor will then be in position to pass intelligent judgment, and will be acting in the light of all the facts.

It is doubtful, however, if he will discover anything that will lead him to believe that the Erie is yet ready to declare any dividend on its $112,378,900 of common stock.

The Moral

The object of this article and of others of a like character that have appeared from time to time in this Magazine, and of others too, that are yet to appear, is to promote a closer study of the corporate affairs and details of the company whose securities the investor is contemplating purchasing. Investors often lose sight of the necessity for, and advantage of such study, and rely too much on second hand information furnished often by interested parties. Many brokerage houses pride themselves, and rightly, on the high class of the goods they offer to their customers and their reputation for recommending only such securities as are worthy of recommendation. If, however, a man were buying a horse, or a house, or an automobile, he would look with great care into all the factors that govern and would know something, from his own knowledge, of what he was buying. Why not use the same diligence and care in the selection of investments?

An Appreciative Subscriber

Gentlemen:

Please accept my thanks for your reply to my queries on Tennessee Copper.

It is refreshing to receive a definite opinion, such as you have given. As you probably know, a great many financial bureaus, in reply to inquiries, give an answer which practically amounts to saying that if a stock doesn't stand still or go down, it is liable to go up, etc.

I realize that no man can absolutely foretell just what any stock will do, but what I wanted was a definite opinion as to your ideas; this I have received, and am sincerely thankful for it.

Very truly yours,

Investment Offerings

[Under this caption we will publish from time to time a list of what we regard as conservative investment offerings by firms of unquestioned reliability. These securities will be of the type that should interest investors who regard safety of principal as the primary consideration in making their commitments.—Editor.]

BALTIMORE AND OHIO R. R., Convertible Gold 4½% bonds, due March 1, 1933, secured subject to prior liens on practically the entire railroad lines, terminals, etc. Legal for Savings Banks, New York, Massachusetts and Connecticut. Present yield, 4.80%. Offered by A. B. Leach & Co., 62 Cedar Street, New York City.

CHICAGO, MILWAUKEE AND ST. PAUL, General and Refunding Mortgage 4½% bonds, due 2014, amounting to $25,000,000. Offered by Kuhn, Loeb & Co., N. Y. City, at 96½, to yield about 4.65%.

CHICAGO, MILWAUKEE AND ST. PAUL, General & Refunding 4½s, Series A. Maturing January 1, 2014. Offered by Kuhn, Loeb & Co. and National City Co., New York City, at 96½ and interest, to yield about 4.68%. Under this mortgage there are outstanding $18,089,000 Series A 4½s and $29,141,300 Series B.

EDISON ELECTRIC ILLUMINATING CO., BOSTON, Five Year 5% Gold Notes, maturing February 1, 1922. Offered, subject to sale, $2,000,000 by Parkinson & Burr, 7 Wall Street, New York City, and Old Colony Trust Co., Boston, at a price to net 4.50%.

HAYTIAN AMERICAN CORPORATION, 7% Cumulative Convertible Preferred Stock, at a price of 100 and accrued interest. The preferred shares will be accompanied by 25% in ordinary common shares, and 50% in Founders' shares. Capitalization, $6,000,000. (Par value $100, callable at 110), issued $5,500,000. Reserved for future corporate purposes, $500,000. Ordinary stock (without par value), 60,000 shares (2,500 shares held in treasury), founders' stock (without par value) 60,000 shares. Offered by P. W. Chapman & Co., 53 William Street, New York City; Lawrence Turnure & Co., 64 Wall Street, New York City; Ervin & Co., 501 Trinity Building, New York City, and Hartshorne & Battelle, 23 Broad Street, New York City.

INDIAHOMA REFINING CO., First Mortgage and Collateral Trust Ten-Year 6% Sinking Fund Gold Bonds, dated February 1, 1917, due February 1, 1927. Redeemable as a whole or in part on any interest date at 105 and interest. Coupon Bonds in denominations of $1,000, registrable as to principle. Offered by Robert Garrett & Sons, Baltimore, Md., at a price of 98 and interest, to yield 6.25% or over.

PACIFIC GAS AND ELECTRIC CO., General and Refunding Mortgage 5% Gold Bonds, dated December 1, 1911, and due January 1, 1942. Callable for sinking fund at 105 and accrued interest until 1937, and thereafter at par. They are a general mortgage on all property owned or hereafter acquired with the proceeds of the bonds. Offered by Harris, Forbes Co., 56 William Street, New York City.

STATE OF CALIFORNIA, 4% Gold Bonds, due July 2, 1989. Optional, January 1, 1955. Price, 106⅛ and interest, yielding about 3.70%. Offered by R. M. Grant, 31 Nassau Street, New York City.

TEXAS ELECTRIC RAILWAY, Cumulative 7% First Preferred Stock. Redeemable at the option of the company on any dividend date after January 1, 1922, at 107 and accrued dividends. Offered at 98 and accrued dividends by Babcock, Rushton, & Co., 7 Wall Street, New York City.

Good in Speculation

"The difference between legitimate and illegitimate speculation lies neither in the form nor the subject matter of the transaction, but the intent and purpose of the operator. Those who merely take chances on the fluctuation of prices are engaged in gambling, and their activities are not useful to society. On the other hand, those who anticipate the needs of the market and make use of their power to assume risks by making contracts to meet these needs are performing absolutely essential functions for society."—*Professor Crook.*

Bond Inquiries

Chinese & Japanese Bonds

H. H. C., Jersey City, N. J.—Imperial Chinese Government Hu-Kuang Railways Sinking Fund 5s are a direct obligation of the Imperial Chinese Government and secured by a first charge (together with a second series, when issued) upon the revenues of several provinces. The net revenues of the railways constructed with the proceeds of this issue are to be applied each year to the services of this loan, and any surplus, up to the amount required to pay the following year's installments of interest, is to be set aside; and the Imperial Chinese Government covenants that the railways shall not be mortgaged nor their receipts given as security to any other party so long as this loan is unredeemed. The bonds are somewhat speculative, but seem to be reasonably secure as to principal and interest.

City of Tokio

F. P. B., Chicago, Ill.—City of Tokio 5s are secured by a first charge upon the annual net revenues of the electric tramways and electric lighting undertakings and also secured by a general charge upon all the other revenues of the city, ranking on a par with the sterling loan of £1,500,000 issued in 1906, except as regards a special charge of £99,480 4s. 2d. per annum constituted in favor of that loan and secured upon certain of these revenues. The proceeds of the loan were applied to the purchase of the electric tramways and electric lighting undertakings acquired from the Tokio Railway Co., Ltd., and for the extension of these works. These bonds seem to be fairly well secured and are reasonably safe.

Remington Arms

L. R. B., Georgetown, S. C.—The Remington Arms Co.'s position is improving according to the most reliable information which we can get. Bankers had an audit of the books made along in September or October and that resulted in disclosing a fairly satisfactory condition. As a result, the bankers decided to make the company whatever loans were necessary. The funds which the company needs are being furnished as regular bank loans without any public offering. There has been no announcement of the amount.

In December a Managing Committee was appointed by the company, consisting of Samuel F. Pryor, G. M. P. Murphy, James H. Perkins and W. E. S. Griswold. Mr. Pryor, who was president was made chairman of the managing committee, and Henry S. Kimball, formerly president of the American Zinc, Lead & Smelting Co., was elected president. C. S. Hawley, formerly president of the Laconia Car Co., was elected treasurer.

There would appear to be reason for the note holders to be fairly well satisfied with the improvement in the situation to date and we think that you would do well to keep your notes.

Interborough Metropolitan

R. L. F., New York City.—Interborough Metropolitan 4½s have declined largely in sympathy with the decline in other local traction issues, and also because the earnings of this company have been falling off. The company suffered from the affects of the strike last fall, and has not recovered as yet. The factor of safety for the interest on these bonds is not very high, and they are, therefore, bound to fluctuate with changes in earnings. The security is good, however, and we do not feel that investors should appprehend any serious impairment of the position of the bonds, and although some speculative risk is assumed in holding them, it is not a good idea to sell out in the present weak market.

Trust Bonds

D. V. P., Brooklyn, N. Y.—It is practically impossible for you to distribute a trust fund so as to net 5%. We can, however, recommend the following:

Baltimore & Ohio Refundings 5s, due 1995, approximate price 100, to yield about 5%.

Chicago, Burlington & Quincy General Mortgage 4s, due 1958, approximate price 94½; approximate yield, 4.30%.

New York Central 1st 3½s, approximate price, 85; approximate yield, 4.15%.

It is not a good idea, of course, to put all of your funds in one issue because you want to distribute the risk.

For a "trust" investment it is necessary in New York State to select bonds which are legal for savings banks. The above meet with the requirements.

Hudson & Manhattan Ry.

M. C., Elmhurst, L. I.—Hudson & Manhattan Railway Co., First Lien Refunding Mortgage, Series "A" 5s, are a direct obligation of the company and secured by a mortgage on its entire property, subject only to $944,000, Hudson & Manhattan Railway 1st 4½s, 1957, to $5,000,000, New York & Jersey R. R. 1st 5s, of 1932, to $824,000, various equipment issues on equipment of the company and to real estate mortgages, aggregating $1,115,500, against certain portions of the company's property. These bonds also cover rolling stock of the company subject to various equipment obligations. These bonds are subject to a comparatively small amount of prior liens and cover a property which has cost considerably in excess of the issues. However, the bonds are only entitled to a fair rating and earnings show only a fair margin over interest charges. They are reasonably safe as to principal and interest.

PUBLIC UTILITIES

The Public Utility Holding Co.

Its Advantages to Subsidiary Corporations and to the Investing Public—Vital Statistics on Some Important Companies in This Class

By ALBERT H. BICKMORE

THE important part played by holding companies in the public utility industry can best be appreciated from the fact that about $6,000,000,000 securities of public utility companies in the United States of a total of $7,500,000,000 outstanding are issued through holding company systems. It is desirable, therefore, to consider the merits of these holding companies and to ascertain the reasons for their existence.

Generally speaking, a holding company is a corporation which has been organized for the purpose of investing in the securities of other corporations. In a more specific sense, it is a corporation organized for the purpose of acquiring and owning a legal or practical control of other corporations engaged in a particular line of business. Public utility holding companies might be defined as corporations which control by stock ownership, lease or other arrangement, companies doing an electric light and power, gas or traction business.

That so large a part of this class of business is organized in this manner is an evidence of the distinct advantages in assembling small operating companies into large holding companies. There are great advantages both to the corporations and to the public.

Advantages to Corporations

Most prominent among the advantages to the corporations are efficiency of operation, economy and ease of financing.

(1) *Efficiency of Operation.*

Several factors go to secure the increased efficiency of these large holding companies. The primary cause is, naturally, the directors themselves who are the ablest men in the business. The broad general policies, determined by these men, are the result of expert knowledge, superior administrative ability and sound judgment.

Not only are the directors men of special ability, but those superintending the general details of operation, having worked up in the competitive school, possess abilities which command larger salaries than are obtainable in the smaller independent companies. The benefits of such supervision are thus distributed among a large number of properties at a comparatively small expense.

On the working staff of holding companies are expert engineers who are constantly in intimate touch with the engineering problems of all the properties. At need, the companies are also in a position to retain the services of independent engineers. Prompt and superior engineering advice is, therefore, always available. Such service is impracticable, in most cases, in the independently owned properties.

Another fact, not to be underrated, is the maintenance of alert and competent legal supervision. Not only do holding companies have legal departments, which keep a trained eye on all companies, but they also retain the services of law firms best informed on the legal problems of public utility companies. Expert legal advice of this character is frequently of paramount importance, and oftentimes too expensive for a small company.

Far more exactly than in independ-

ent companies, systematized and expert accounting is used. Departmental operating costs are closely figured and these costs are not only carefully analyzed, but are compared in a large number of properties, and such information made available for the manager of local properties with a view to improvement. This expert accounting is of inestimable value in many ways, and such inter-company comparison is entirely impossible except through the holding company or some centralization system.

Over-centralization, however, is avoided by inter-company operating competition. Public service is a regulated monopoly, and there are not, therefore, the inherent competitive motives which exist in other industries. Holding companies control many companies operating under similar conditions. The managers of these properties are advised of operating results of all the properties and are given the assistance of all the departments of the parent company, thus resulting in improved production. Superior operating efficiency on the part of the local manager results in his advancement to the managership of larger properties, eventually to the home office, and perhaps, finally to supreme direction.

(2) *Economy of Operation.*

In addition to the increased efficiency of operation referred to above, we may cite economies. These are economies in the purchase of the ordinary supplies required in daily operation. Most supplies are sold on a sliding scale price, depending upon the amount purchased. Holding companies are able to buy very large quantities under contract, and thus effect a saving for the smaller properties. The savings thus made in daily operation are in the aggregate very large.

Economies in the purchase of construction materials are equally important. Nearly all material used on construction work can be bought much cheaper in large quantities. This is particularly true if a departure from the standard type of construction is made, and if a number of such articles can be ordered for the different plants at the same time. The officers of the holding companies are always in touch with all markets and are able to take advantage of cheap prices in any commodity or article and buy in advance of rising prices.

As was seen in examining the efficiency of large holding companies, the best obtainable accounting, legal and engineering advice is furnished any company in the system at a cost which would be prohibitive in the case of an independent company. The direct savings thus made are considerable, and the indirect savings, as the result of such expert advice, are very large.

(3) *Ease of Financial Operation.*

The financial advantages of holding companies are important. It is estimated that over $500,000,000 annually is needed for extensions, improvements and additions in the gas, electric light

ESSENTIAL STATISTICS OF TWELVE IMPORTANT PUBLIC UTILITY HOLDING COS.

Name of Company	Bonded Debt	Pref. Stock Outstanding	Com. Stock Outstanding	Dividends Pref.	Dividends Com.
American Gas & Electric	$6,282,000	$4,400,100	$3,788,500	1½%	2½%
American Power & Light	5,320,700	3,563,200	8,205,400	6	4
Electric Bond & Share	......	6,000,000	6,000,000	6	8
Federal Light & Traction	6,647,500	2,500,000	4,750,000	.....	....
American Light & Traction	......	14,236,200	16,928,900	6	10
Cities Service Co	19,000,000	32,437,997	17,481,422	6	3
United Gas Improvement Co	......	*55,502,950	......	*10	....
United Rys. Invest. Co	17,874,000	16,000,000	20,400,000	.....	....
United Gas & Electric Corp	8,461,000	20,943,500	12,249,120	3	....
American Public Utilities Co	690,000	3,914,000	2,995,000	6	....
United Light & Railways	7,212,000	9,815,800	6,899,782	1½	1
Middlewest Utilities Co	7,082,000	10,032,100	9,050,300	6	....

* Capital Stock.

and power business alone. It would be impossible to procure even a small fraction of this sum through small issues of securities on independent local properties. Holding companies, by the creation of large issues of securities based upon securities of subsidiary companies either by ownership or specific pledge, or by the stamp which their control of subsidiary companies gives the securities of these companies, can accomplish beneficial results.

They give to this class of securities a broad, national and even international market. Hundreds of millions of public utility securities have been purchased abroad largely by reason of the currency of market afforded large issues.

They distribute the risk among a large number of properties in different parts of the country. Should a particular property be affected by accident, legal entanglement or other contingency, the integrity of the security as a whole is not materially injured because the part of the property affected is proportionately small.

The holding company is enabled to obtain a large working cash capital or possess potential cash capital in available credit. Improvement and extensions to any property can be planned and executed through the holding company in a manner impossible for the independent operating company.

Advantages to the Public

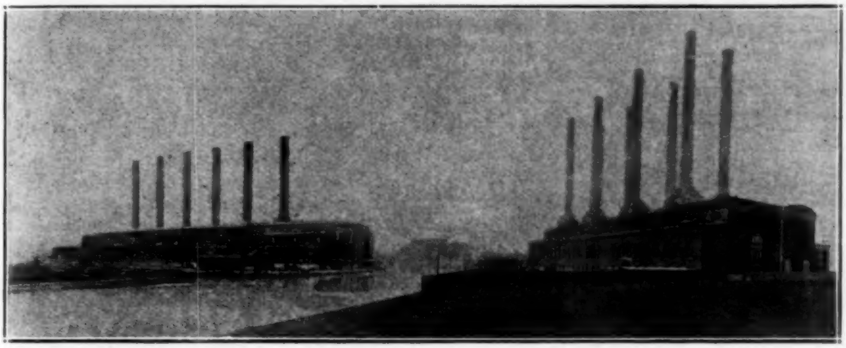
Service to the public is the vital and final test of any operating or administrative system. And it should be obvious from the considerations mentioned, that public service is greatly improved through the operation of these centralized organizations.

(1) *Better Service.*

The securities of public utility companies are for the most part issued under the direction of Public Service commissions, which also regulate the rates for service rendered the public. While these commissions see that invested capital receives fair treatment, they also demand good service. It is inevitable that efficiency of operation should be reflected in better service. All the advantages to the corporations making for increased efficiency result in improved service to the public. The leaders who direct these large organizations, are men of broad vision, who clearly understand that superior service to the public redounds directly to the benefit of the organization or corporation. The superintending, engineering, legal and accounting staffs are all imbued with this conviction and their acts are based on the knowledge that good service to the public is also good service to their employers.

(2) *Cheaper Service.*

The economies in operation, made possible by these holding companies result directly in cheaper service to the public. Not only do Public Service Commissions require good service to the public, but they also insist that this service be furnished at fair rates. The



COMMONWEALTH EDISON PLANT AT CHICAGO.

economies of operation are bound to be seen, in part at least, in cheaper rates to the public.

(3) *Broader Service.*

The command of the best brains available to these large organizations makes for the broadest use of the service. Every need of the community or communities served is thoroughly considered and every aid is extended for industrial development, for home betterment, economy and improvement, and for the enjoyment of life by reason of increased public service facilities. Few, indeed, realize how much indebted they are to these progressive organizations for the growing industrial activities of the cities in which they live, for the increased cleanliness and ease of their home life, and for the enjoyment of their leisure hours.

(4) *Service to Village and Country.*

Extension of gas, electric light, power and traction service to village and rural communities would be impossible were it not for these large organizations. Small, independent companies could neither be operated profitably nor financed. It is only by tapping the great transmission systems or connecting with the large traction lines that the dweller in the village or on the farm, may enjoy the same privileges as his city cousin. The country is being gridironed with these public utility lines and vast benefit is extended thereby to those living in the country.

(5) *Security of Investment.*

The advantages to the public would not be complete were mention not made of the increased stability and soundness of those billions of public utility securities held by the investing public.

All the gains to the corporation in efficiency, economy and ready financing, all the benefits to the public in quality, expense, breadth and extension of service, made possible by these centralized organizations, unify, stabilize and strengthen that great class of investments which form so large a part of the assets of banks, estates and individuals throughout the land.

James J. Hill's Rules of Business Success

"There is no substitute for hard work."

"I find it pays to be where the money is being spent."

He never permitted a dividend to be passed. The stock of his company was as good as its bonds.

"We consider ourselves and the people along our line as co-partners in the prosperity of the country we both occupy; their adversity will be quickly followed by ours."

"I would not vote for any one as director who did not once a year examine the property and its affairs so that his opinion would be of some value in its councils."

He would accept no salary. The profit on his investment in the property, he said, was sufficient compensation for his services.—James J. Hill according to J. G. Pyle in *World's Work*.

Public Utility Notes

American Light & Traction.—Gross income for 1916 was $5,859,938, against $5,178,387, and net available for stock $5,648,027, against $5,021,763, equivalent to 25.66%, as compared with 24.62% in 1915. The increases in earnings, due to increased business, were to some extent, neutralized by constantly increasing Federal taxes. In 1912 such taxes actually paid amounted to $3,005, while in 1916 they totaled $79,693. Similar taxes of all constituent companies increased proportionately and Federal taxes will be still larger in 1917, according to the report to stockholders.

American Power & Light.—It is unofficially reported that the dividend will be increased from 4%. Earnings are showing good increases and net revenues are holding up especially well in comparison with other utilities.

Adirondack Electric Power Co.—Plans to absorb several neighboring properties which operate developed water powers of 29,600 horse power. Management plans new issues of about $6,500,000 bonds and $4,500,000 preferred stock. Only one-half of the par value of the common shares will be retained by present shareholders, and the rest will be utilized as part payment for properties acquired. For 1917 combined surplus earnings of $604,000 have been estimated.

Bell Telephone Co. of Pennsylvania.—Reports to Interstate Commerce Commission for 12 months ending December: Operating income of $3,186,314, an increase of $11,002.

Blackstone Valley Gas & Electric.—Gross earnings for 1916 were $1,744,928, an increase of $229,734, and net amount to $705,604, an increase of $89,391.

Brooklyn Rapid Transit.—January income showed a gain of about $5,700 a day, or a total of $177,000 for the month, comparing with an increase of $138,000 in December, and an average monthly increase for the six months to December 31, 1916, of $139,000. Rumors of a reduction of the dividend at the next meeting have been denied.

Central District Telephone.—Reports to Interstate Commerce Commission for 12 months ending December operating income of $1,962,165, an increase of $260,210.

Central & South American Telegraph Co.—Has declared a stock dividend of 46% to be issued April 1, and to carry the right to all dividends declared subsequent to the usual April dividend.

Chicago Telephone.—For year ending December 31, 1916, showed a surplus after charges of $3,414,586, equivalent to 11.38% on $38,000,000 capital stock, against 11.71% earned on $27,000,000 capitalization in 1915.

Columbus Railway, Light & Power.—Reported for 12 months to December 31, 1916, net after taxes of $1,432,275, against $1,266,738 in 1915 and surplus after charges and preferred dividends of $629,994, against $505,334 in 1915.

Detroit United.—Reports for year ended December 31, 1916, net income after charges, but before depreciation, of $2,880,792, an increase of $920,030, or 46.9% over 1915, and equal to 23% earned on the capital stock, against 15.6% earned in the previous year. Stockholders approved the recommendation of directors at the annual meeting to increase the authorized capital stock from $12,500,000 to $25,000,000, the proceeds from sale of new stock to be used in providing funds for improvement, betterments and future extensions of lines.

Electric Bond & Share.—Board of Directors will be increased from 15 to 16 at the annual meeting of the company, February 21.

Interborough Rapid Transit.—December traffic was heavier than ever before in the history of the company. Total passengers carried were 69,703,030, an increase of 8,177,069 over December, 1915, and of 3,267,861 over November, 1916.

New York State Railways.—Was denied its petition for a lower rate by the New York Second District Public Service Commission. The rate of the company between Utica and Ilion, N. Y., is 1.23c. a mile lower than any other comparable rate in the State.

People's Gas, Light & Coke.—Plans to construct the largest gas plant in the world consuming 1,500,000 tons of coal annually, pending the granting by the Chicago City Council of a heat unit standard of quality of gas, instead of the present candle power lighting unit of measurement. The company plans to convey the coal from mines in Pennsylvania and West Virginia by its own fleet of lake steamers, to build which it will spend $5,000,000.

Philadelphia Electric.—New first mortgage gold bonds can be redeemed for 105 for the 4% bonds and 110 for the 5% bonds on October 1, 1921, or any interest date thereafter. It is estimated that the sinking fund will retire approximately $30,000,000 of the bonds at maturity. Estimated net earnings of the company for the year 1916 applicable to interest charges of $1,750,033 on the $35,335,000 bonds will amount to about 2¼ times the interest requirements, according to a statement by President McCall.

Portland Railway, Light & Power.—Reports for 12 months ending December 31 net after taxes of $2,444,856, against $2,437,717, and surplus after charges of $266,598, against $229,361.

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth, as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

Public Utilities	Present Div. Rate	Dividend Yield on Present Price	Dollars Earned Per Share							Present Price	Earnings Last Fisc. Year on Present Price	INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.
			1910	1911	1912	1913	1914	1915	1916			
Third Ave. R. R.	$0	0%	....	....	....	4.25	3.78	4.19	5.98	38	15.7%	Showing poor result strike losses.
Am. W. W. & Elec. 1st pfd.	0	0	....	....	....	....	....	9.57	10.18	71	14.3	Earnings increasing.
Am. Pub. Util. com.	0	0	....	....	....	5.85	4.69	3.83	5.35	38	14.0	Last div. July, 1914, ¾%.
Western Union	5.0	5.3	5.60	5.38	4.01	3.24	5.38	10.19	12.50	94	13.3	Extra divs. Big increase.
Con. Gas Balt. com.	7.0	5.8	10.09	8.76	13.12	15.27	11.43	11.56	13.89	120	11.5	Inc. divs. possible.
Brooklyn Rapid Transit	6.0	8.9	5.58	6.82	8.28	9.17	7.14	7.40	7.53	68	11.0	Uncertainty as to future outlook.
Massachusetts Gas com.	5.0	5.5	4.11	4.22	4.34	5.20	5.15	5.13	5.53	90	6.1	Prospective profits—advance in coal prices.
Mackay Co. com.	5.0	5.7	4.29	5.05	5.06	5.09	5.25	5.28	5.36	87	6.1	Inc. in business. Earn. on good prices.
Elec. Bond and Share pfd.	6.0	6	25.35	35.30	35.00	23.50	22.74	23.30	....	100	23.3*	Extra stk. div. pd. 1916.
Pac. Gas and Elec. com.	5.0	8.3	9.20	6.09	....	2.84	7.78	10.48	....	60	17.4*	Divs. resumed 1916.
Adirondack Elec. P. pfd.	6.0	7	....	6.60	5.50	2.50	5.15	11.87	....	85	13.9*	Initial div. pd. Jan. 2.
Commonwealth P. R. & L. com.	4.0	6.9	....	6.02	6.74	7.44	8.28	7.42	....	58	12.8*	New plants under construction.
Northern States Power com.	7.0	6.7	....	....	....	3	7.40	12.90	....	104	12.4*	In Dec. gain 42% on electric output.
Phila. Co. (50)	3.50	9.2	3.90	5.30	3.80	3.11	3.03	4.31	....	38	11.3*	New mergers of small cos.
Kings Co. E. L. & P. pfd.	8.0	6.8	10.09	10.24	9.52	9.29	10.85	11.66	....	118	9.8*	New issue 6% conv. bonds.
Detroit Edison	8.0	5.7	6.93	8.22	7.84	8.34	10.52	13.68	....	140	9.7*	New stock offered to stock holders.
Laclede Gas com.	7.0	7	10.02	8.52	8.40	8.16	8.20	9.24	....	100	9.2*	No change in gas rates.
North American Co.	5.0	7.3	6.22	6.23	7.15	7.01	6.41	6.06	....	68	8.9*	Earning about same as 1915.
Amer. Gas & Elec. com. (50)	5.0	3.5	6.35	8.00	8.62	8.67	9.53	12.55	....	140	8.9*	Extra stk. div. 2% pd.
Peoples Gas Lt. & Coke	6.0	5.9	9.01	8.92	7.54	8.25	8.55	8.39	....	101	8.3*	Reduced from 8% 1916. Heavy expenses.
St. Gas and Elec. pfd. (50)	3.0	7.9	....	3.85	7.39	3.19	2.63	3.15	....	38	8.3*	Earnings good.
Am. Tel. and Tel. Co.	8.0	6.4	10.34	10.01	9.86	9.59	9.38	9.52	....	124	7.6*	New bond and stk. issue.
Brooklyn Union Gas	6.0	4.8	9.88	9.95	9.19	5.42	7.20	9.54	....	125	7.6*	2% extra pd. since 1912.
Twin City R. T. com.	6.0	6.6	7.22	7.25	7.44	8.69	8.05	6.83	....	90	7.6*	Expect to spend $1,000,000 on improvements, etc.
Consol. Gas N. Y.	7.0	5.6	7.17	8.89	8.91	8.50	8.40	9.29	....	124	7.4*	Increased output 1916—4.85%.
So. Cal. Edison com.	7.0	7.4	3.76	5.75	5.35	7.56	6.07	6.71	....	94	7.0*	Merger with other cos. in So. Cal.
Rep. Ry. & Lt. Co. com.	4.0	9	....	....	....	....	1.95	2.97	....	44	7 *	Benefit from end of jitney competition.
Am. Light & Trac. com.	10.0	2.7	27.63	27.79	26.05	25.09	22.32	24.62	....	363	6.7*	Large earnings.
Cities Service com.	6.0	2	....	8.18	7.01	11.31	14.66	15.27	....	292	5.2*	Busy year predicted 1917. Extra stk. divs.
Am. Power and Lt. com.	4.0	4.7	....	....	....	6.01	5.24	4.21	....	85	5 *	Improved conditions—high prices of products.
United Lt. & Rys. com.	4.0	8.3	....	....	....	4.74	3.74	2.41	....	48	5 *	
Montana Power com.	4.0	4	....	....	....	3.13	2.42	3.73	....	98	3.8*	Expenses heavy to carry on business.
Pac. Tel. & Tel. com.	0.0	0	0.66	1.03	0.63	1.87	1.89	0.56	....	29	1.9	Acquired new cos. in Cal.

* Based on 1915 earnings.

Companies which have not yet reported their 1916 earnings are listed following companies which have reported such earnings.

Public Utility Inquiries

Pacific Gas & Electric

J. S. Fresno, Cal.—Pacific Gas & Electric is a holding company operating properties which serve, directly or indirectly, 243 cities and towns in Central California, having a combined population of 1,681,894, with gas and electricity for heating, lighting and power purposes, as well as with street railway facilities and water for power, irrigation and domestic purposes. Among the important places served are San Francisco, Sacramento, Oakland, Fresno, Berkeley, Stockton, Alameda, San Jose, Santa Rosa, Santa Cruz, Vallejo and Chico. In the recent past the company has shown excellent earnings for the common stock, with the exception of 1913 and 1914, when the general depression and jitney competition were largely responsible for a decline in earnings. The 1915 earnings were swelled by Exposition business and consequently the earnings for last year will show somewhat of a falling off, but if the additional business of 1915 is not counted, the showing is very favorable. The common stock shows a good yield on the basis of its present selling price of around 65 and since the dividend of 5% per annum seems secured by a very good margin, it would appear that the stock should sell higher, as it becomes more seasoned. A purchase at the moment, however, is inadvisable, owing to the uncertainties in the foreign situation.

Consolidated Gas of Baltimore

L. C. K., Portland, Me.—Consolidated Gas, Electric Light & Power of Baltimore is in a very strong position and the stock has attractive possibilities for the long pull. At a price of around 120, the yield on the present dividend basis of 7% per annum is about 5.8%. This yield compares very favorably with that of other utility stocks which are not entitled to any higher rank when one considers the past record of this company. Consolidated Gas of New York, for instance, pays the same rate and, at its present price of around 125, yields about 5.6%. Consolidated Gas of New York paid 6% from 1911 until 1915, in the latter part of which year the rate was increased to 1¾% quarterly.

The earnings and dividend record of the Baltimore company for the last six years ended June 30 follow:

Year	Earnings %	Dividends %
1911	8.76	4½
1912	13.12	5
1913	15.27	5½
1914	11.43	6
1915	11.56	7
1916	13.89	7

The above record discloses the conservative policy which the company has pursued in regard to dividend payments and indicates that increased payments would be justified. This fiscal year has shown a considerable improvement over last year. The company is now confronted with the factors of increased labor and material costs, as are practically all the utility companies. This is bound to have an effect on earnings, but is being offset to a large extent by increases in business in all directions.

New York State Railways

D. W., Scranton, Pa.—New York State Railways earned net after overhead charges, in the last fiscal year, of $3,103,271 against $2,777,405 in 1915. After the payment of securities guaranteed, there remained a balance for the common stock of $1,193,717, which was $246,264 more than actually required for dividends.

Peoples Gas, Light & Coke

L. F. R., Chicago, Ill.—Peoples Gas, Light & Coke Co. reduced the dividend rate from 8% to 6% per annum on April 13 last. It paid 8% in 1914 and 1915, although the margin earned over that rate in those two years was very slim.

The company has been handicapped by political attacks, and has been tangled up in a great deal of litigation. In 1911 a city ordinance put the price of gas for five years as follows: 75c. the first year, 70c. the next two and 68c. the last two. The company actually charged 80c., by the court's sanction, but the city of Chicago filed a suit to recover $10,000,000 of the company's funds representing the difference between the ordinance rate and the rate charged by the company. The settlement of this suit is still pending. The company has made a counter-proposal to the city's proposition as to a schedule of rates for the ensuing five years. The city's proposition was for a 55c. a thousand cubic feet rate per day, which the company rejected and offered instead to consider a 65c. rate with a monthly service charge of 25c. The company also expressed its willingness to raise its profit-sharing offer from 15% to the consumers and 85% to the company to a division of 33⅓% profit to the consumers, 33⅓% to the stockholders of the company and the remaining 33⅓% to go to amortization.

The company did not show for its past fiscal year as large earnings as were shown in 1915, due to increased operating costs. This increase has resulted largely from the higher cost of oil used extensively in the manufacturing of gas.

While the stock at its present price shows a good yield and there is no reason for apprehending a reduction of the dividend in the near future, at least, we do not recommend purchases in face of the uncertainties in the situation.

Silver—Its War Rise

An Interview with Edward Brush, Vice-President American Smelting and Refining Co.—Causes of the Boom in the White Metal—Outlook for Silver Prices

By BARNARD POWERS

SILVER at this time of writing is selling at 77⅜ cents an ounce which establishes a high record since the war began and is the highest price since 1893. The war-boom in silver is only comparable to the "16 to 1" era when the white metal touched $1.20 an ounce. Germany has declared the metal as contraband of war and England has prohibited its use in the arts. The question as to whether the metal will maintain its present high level or will advance further is of great interest to producers of silver, users of it, and owners of securities which are affected by silver prices.

It would be difficult to find a metal, with perhaps the exception of gold, with which people are more familiar with in general and about which so little in particular is known. The fact that silver is used as currency or "money" in most civilized countries, gives it a double significance and greatly complicates its study. Silver is a deep subject and the causes which affect its movements and price fluctuations are world-wide and of fundamental economic nature.

Edward Brush, vice-president of the American Smelting & Refining Co. and an officer and director in a dozen other allied concerns, is one of the world's leading authorities on silver. The organization of which he is a part produces and sells millions of ounces of silver yearly and his knowledge of the subject is based on many years of actual experience in dealing with the metal. Mr. Brush rarely talks for publication, but in view of the importance of the silver situation at this time, consented to give his views on the subject to THE MAGAZINE OF WALL STREET.

Causes of High Silver Prices

"The chief causes of the present high silver prices are three-fold," said Mr. Brush. "In the first place, Mexico, one of the world's chief sources of silver production, has been practically shut off for several years.

"It is not possible to increase the world's output of silver in the same manner that the output of copper and some other metals has been increased, although in the case of the copper companies which produce silver as a by-product there has been considerable gain in their silver output. Anaconda, for instance, is the largest producer of silver in this country and, of course, any increase in Anaconda's output would mean an increase in its silver output. The additional silver production, however, has not been sufficient to offset the factors which have forced silver to the present levels.

"Secondly there has been a large demand for silver on the part of England and other belligerent governments for coinage purposes and to replace as far as possible the tremendous shipments of gold to this country. The men in the trenches demand to be paid in some tangible medium of exchange and they require a larger percentage of coins of small denominations than they would if they were at home."

Mr. Brush's remarks about the men in the trenches illustrates a peculiarity of human psychology and also explains why silver has been dubbed a "sentimental" metal. It appears that the ing authorities on silver. The organiza- soldier who volunteers to give his life for his country on the abstract theory of patriotism, will balk at being paid in anything except the hardest kind of hard cash. In fact, it is probable that a government which paid its soldiers wholly in scrip, or paper money, would soon find itself with a military uprising on its hands.

"The third important factor," Mr. Brush continued, "is the large demand for coinage purposes from India. That country has enjoyed bountiful harvests and great prosperity, which always means a big demand for silver. The Indian farmer and merchant demands that he be paid for his products in rupees which are coined by the Indian government. So great has been the Indian demand that the Philippine government has let go of its surplus silver stocks and the Chinese banks and shrewd Chinese merchants have bagged their profits on the silver which they had bought and were carrying."

Asked what effect the high silver prices have on American economic conditions, Mr. Brush replied:

"Only the same effect that the high prices for steel, copper, wool or any other commodity have—namely, larger profits for America. Of course, the manufacturer who uses silver is affected but the net result will be larger profits for the country as a whole."

Parity

In regard to the difference between the parity with the London price of silver and the present price, (silver is selling in this country at about 3½c. a lb. below the London quotation) Mr. Brush remarked:

"The difference between the prices here and abroad is simply a matter of freight rates and insurance. London makes the world's silver quotations and silver prices rule so much higher there because the cost and freight and insurance has been running at about 5%. These high trans-Atlantic rates apply not only to silver but other commodities. The British government insures the war risk for 2%, otherwise there would be a wider spread between the London and New York price.

The fluctuations in the silver market while, of course, of moment to the sellers and users of the metal, are not as fundamentally important as the matter of the world's supply of gold, for while silver is used extensively as a coinage metal it has no fixed basis of valuation like gold."

Mr. Brush refused to conjecture as to whether the silver market has reached the climax of its upward movement as there is no way in which this can be accurately ascertained. In all probability, however, he said, the price of silver along with other metals, will continue to range high during the war.

INVESTING IN MINES

Lack of information often causes the public to judge the mining industry by the losses they make when gambling in mining stocks. When a man gambles in wheat and loses, he does not blame the agricultural industry. He usually keeps quiet as to his losses. Privately he confesses that the losses are due to his own ignorance or inability properly to size up the wheat situation or the men involved in the deal. He should treat the mining industry in the same way.

Mr. Arthur A. Cole, mining engineer of the Timiskaming and Northern Ontario Railway, in addressing the Empire Club, Toronto, recently said: "If a man is heard blaming the mining industry for his losses, he is simply proclaiming that he is a gambler in mining stocks. On inquiry, it will usually be found that, although he may be a shrewd, careful and successful business man in his own line, when he comes to mining he puts aside shrewdness and commonsense and ignores usual business methods. Under the circumstances, the die is loaded against him and he has not an ordinary gambler's chance."

"If you wish to invest in the mining industry, and not simply gamble," said Mr. Cole, a mining engineer of excellent reputation, "use ordinary business principles and commonsense. I know of no other industry that gives larger returns for the capital invested."—*Monetary Times.*

Mining Digest

Anaconda.—Directors are expected after February 27 to make some announcement respecting the $16,000,000 2-year 5% notes maturing March 1, 1917, and which were issued March 1, 1915, to acquire United Metals Selling Co.'s stock from the Amalgamated Copper Co. It is estimated that treasury surplus at the end of last year amounted to about $30,000,000, which does not include profit and loss surplus of more than $15,-000,000, as of December 31, 1915. It is expected that the company will be able to retire its notes with this surplus. Their retirement will mean an interest saving of about $800,000 a year. January production was 28,250,000 pounds, against 29,000,000 in December, decrease being due to bad weather.

Braden Copper Mining.—Tenders were invited by Bankers' Trust Co., New York, for sufficient 15-year 6% sinking fund gold bonds of this company to exhaust $500,000 in the sinking fund, and tenders were received until February 16.

Butte & Superior.—Injunction against this company has been asked to restrain it from mining on Pyle Strand, pending further development work by the Elm Orlu Co. The court was also asked to award the latter judgment against Butte & Superior for the value of 60,000,000 tons of ore taken from disputed territory during the past six months. The amount is equal to about 20% of the total output of Butte & Superior. Should an injunction be granted it would result in curtailing production of the latter from 50,000 tons per month to 40,000 tons until such time as new shafts are completed, equipped and running, and it will be June 1 before that can take place. January production was 13,000,000 pounds of zinc in concentrate.

Champion Copper Co.—Has declared a dividend of $6.40 a share, making $93.60 since February 21, 1915, when dividends were resumed. The last previous payment was $6.40, made December 4, 1916.

Davis-Daly Copper Co.—Has ordered fifty additional mine cars. A third cage car will be added to each of the two shafts. Leaders have begun work on the Plymouth shaft.

Dome Mines.—Reported for January tonnage milled 39,600; bullion produced, $181,-000. In December tonnage milled was 39,-000; bullion produced, $183,300.

Hercules Mining.—Paid on January 15 a monthly dividend of 25c., which was an increase of 5c. over the last previous payment.

Hollinger Consolidated Gold Mines.—Profits for the last 28 days of 1916 fell below those of the preceding months and were $21,943 less than the dividend requirements.

Inspiration Consolidated Copper.—January production of 11,600,000 pounds was only 250,000 pounds under the high record production of September, 1916. It represented increase of 1,200,000 pounds over December output, 1,000,000 pounds over November and 300,000 pounds over October.

Kennecott Copper.—January production was 7,080,000 pounds copper, compared with 6,806,000 pounds in December and 7,080,000 in November, 1916.

Miami Copper Co.—January production of 5,020,370 pounds of copper set a new high record and was in line with the plans of the company to bring production up to between 66,000,000 and 70,000,000 pounds during 1917. Total 1916 production was approximately 53,000,000 pounds.

Mohawk Mining.—Has under consideration overtures proposed by representatives of Seneca Copper Corp. for use of its No. 2 shaft. Should an offer sufficiently attractive be made for the use of this opening, which would greatly aid in starting development work of Seneca under ground, Mohawk, by running cross-cuts, could tap this territory from either of two shafts, Nos. 1 and 2.

Ray Consolidated.—Reports for quarter ended December 31, 1916, showed surplus after charges of $2,015,012, against $1,001,-086 in 1915. Earnings for the fourth quarter were based on a price of 26.250c. a pound of copper, as compared with 27.722c. for the third quarter of 1916. The average mill extraction on concentrating ores for the quarter was 75.32% of total copper contained in such ores. This was the best metallurgical result achieved in the company's history and corresponds to an extraction of approximately 83% of the copper contained in unoxidized form. Average net cost per pound of all copper produced for the quarter was 9.769c. During the year ore reserves were recalculated and the president states that a revision upward in the available reserves was justified to the extent that 20,000,000 tons of ore having an average copper content somewhat in excess of 1.5% were added, bringing the total estimated reserves up to 91,000,000 tons, having an average copper content of approximately 2.05%.

Shattuck-Arizona. — January production amounted to 1,415,303 pounds of copper, 425,638 pounds of lead, 19.105 ounces of silver and 211 ounces of gold, compared with production in December of 1,419,339 pounds of copper, 285,404 pounds of lead, 16,352 ounces of silver and 250 ounces of gold. Official average price received for copper in 1916 was 23.18c. a pound, which was somewhat below generally accepted quotation of 25c.

Mining Inquiries

Ray Consolidated

K. C. B., Anaconda, Mont.—Ray Consolidated, judged by certain standards, is selling low, but the wisdom of purchasing this stock as a permanent investment now, in the midst of such abnormal prosperity for the copper industry, is doubtful.

Ray's high and low prices from 1911 follows:

	High.	Low.
1911	19	12
1912	24⅛	16
1913	22	15
1914	22½	15
1915	27½	15¼
1916	37	20

Tonopah Belmont

R. G., N. Y. C.—Tonopah Belmont may be regarded as a fairly attractive silver mining speculation. The position of the silver market, as you doubtless are aware, is strong, and silver prices bid fair to remain high for several years after the war. The original claims of this company are showing a declining production, but the company has adopted a policy of branching out and securing new properties, which are expected to extend the time of its profitable existence. Other low-priced mining shares which we favor are Cresson Consolidated, Iron Blossom. Generally speaking, however, we are recommending that extreme caution be used in the purchase of all speculative stocks at this time because of the uncertain position of the market as a whole. If you are an intending buyer, we suggest that you wait for more settled conditions.

Calumet & Jerome

L. R. G., Hazleton, Pa.—Calumet and Jerome has speculative possibilities, but the stock should be regarded purely as a speculation. The mine, as you doubtless know, is only in the prospective stage, although a small amount of ore has been shipped. The company's claim to recognition lies in the fact that its properties are located very near to those of the United Verde Extension mines, and it is hoped that the famous Daisy vein of the United Verde Extension underlies the Calumet and Jerome property. Such a proposition is a gamble, and we do not recommend that anyone put money into it that he cannot afford to lose. In mining circles the property is regarded as promising.

Green Monster

L. S., Portland, Me.—Green Monster is a prospect, but one of very much less merit than Calumet and Jerome. We have not been very favorably impressed with the market action of the stock, and with the way that exaggerated reports have been circulated as to the value of the property. We do not recommend that you hold the stock unless you are willing to assume a very considerable risk.

Butte Copper

J. H. J., New York City.—Butte Copper and Zinc's position is speculative at the present time because of the fact that this company is showing abnormal profits due to high war prices for its products. As long as the war keeps up, of course, there is reason to believe that the zinc and copper prices will remain high, but there are so many uncertainties in the situation right now that we consider it inadvisable to purchase or hold such highly speculative stocks at all. It would be better, we believe, for you to sell now, even though you missed the advance, than to incur the risk of carrying your stock through a sharp decline, and we are therefore suggesting that you liquidate it and wait until a more definite idea can be gained of the immediate future and probabilities regarding the international situation.

American Zinc

J. S., Williamsport, Pa.—American Zinc is to a large extent a war stock. If the war continues and even if the United States becomes involved, the large earnings of the company will probably continue until peace is declared. The stock is now selling out of line with its earnings, but no one can say how long present conditions will continue, and purchase of the stock should therefore be regarded as speculation, pure and simple. We do not recommend fresh commitments now, but if you are a holder, it would probably be inadvisable for you to close out on the present market. We do suggest, however, that you place a stop loss order and follow up any advance in the stock with your stop.

Alaska Gold

F. H., Pensacola, Fla.—Alaska Gold, according to the best and most reliable information, is passing through a readjustment process at the present time. It was originally figured that the ore would run $1.75 a ton gross, that about 25c. would be lost in tailings, and the balance would be available after treatment charges, which were estimated at 75c. a ton. After a large amount of ore had been broken down, it was found that the gross average ran nearer $1.30 a ton than $1.75, and it became apparent that the best way to handle this ore would be to follow the so-called selective system of mining, that is, not to mine the entire width of a vein, but that portion of the vein which was richest. Before it was possible to do this, however, it was necessary to treat the ore which had already been broken down. This accounts for the long decline of the stock. According to mining engineers within and without the company, there is no reason why Alaska Gold should not eventually make much better recoveries and much better profits. This is a rather non-technical explanation of the situation, but perhaps conveys the idea more clearly than a strictly technical one would.

Oil Notes

Buckeye Pipe Line.—Income account for year ended December 31 shows net income of $2,082,068, against $1,523,801 previous year, and a surplus after dividends of $482,068, compared with a deficit of $76,199 in 1915. The earnings were equal to approximately 20¼% on the $10,000,000 capital, as compared with 15¼% in 1915.

Continental Refining Co.—Has declared its initial dividend at the rate of 6%, payable half of 1% monthly on the 15th of each month to stockholders of record on the 10th.

Cosden & Co.—Has closed a contract for sale to Henry L. Doherty & Co., of New York, of a half interest in the Peerless Refining Co., of Cushing, Okla., the consideration being $625,000 cash. The half interests of Cosden & Co. have been carried on its books at $82,000 and the company had been interested in the Peerless concern for only about 15 months.

Eureka Pipe Line.—For 1916 showed net profits of $1,322,069; dividends, $1,200,003; balance to profit and loss, $122,066.

Federal Oil Co.—The interests promoting this company state that the company has no outstanding obligations other than current account. They further report that they control 980 acres of oil leases, on which 16 wells have been drilled and nine more are in process of drilling. The above leases are in Kentucky and large territory leases have also been made in oil fields of Texas and Mexico.

General Refining & Producing.—Has been organized by ex-Governor John A. Dix of New York with an authorized capital of $1,250,000, of which $950,000 will be issued to absorb the Nashville Refining Company plant, Nashville, Tenn. The plant is to be enlarged and the business extended. The Dix interests have 5,000 acres of oil land in Kentucky.

Mexican Petroleum.—Plans have been completed for the enlargement of topping plant of this company at Tampico, Mexico, to enable it to handle 50,000 barrels a day.

New York Transit.—Net income last year was $1,339,121, equal to 26.78% on the stock, compared with 16.27% in the year previous.

Northern Pipe Line.—Statement for year ending December 31, 1915, showed net income of $600,898, equal to 15.2% on $4,000,000 capital, as compared with $428,433 or 10.71% earned in 1915.

Ohio Fuel Supply.—Has made application to list $19,813,000 capital stock on the New York Stock Exchange.

Ohio Oil Company.—Stockholders have approved of a plan to increase the capital from $15,000,000 to $60,000,000 by changing the par value from $25 tc $100 a share. The regular quarterly dividend of $1.25 a share together with an extra dividend of $4.75 a share was declared, payable March 20 to stock of record February 15.

Paragon Refining Co.—Reported net profit for November of $59,095 and for November and December of $109,799.

Sapulpa Refining Co.—New stock is offered to stockholders of record February 8. Stockholders may subscribe at $9 per share in proportion of 50% of the amount of stock registered in their name.

Security Producing & Refining Co.—Declared an initial dividend of 1%, payable March 1 and monthly thereafter.

Sinclair Oil & Refining.—Reported contemplated merger between this company, the Cosden Co. or the Texas Co. has been positively denied by President H. F. Sinclair.

Southern Pipe Line.—Earnings for 1916 equaled 23.54% on $10,000,000 capital, as compared with 19.66% in previous year.

Standard Oil of California.—Stock dividends of January 16, 1917, amounted to $24,843,327, being 33⅓% of the outstanding stock and representing surplus profits since March 1, 1913. It is unofficially estimated that the net profit for 1916 will closely approach the $19,000,000 mark made in 1913.

Standard Oil of Kentucky.—Reports for the year ended December 31, 1916, a surplus of $1,468,598. The surplus of 1915 was $644,640. The net profit over $2,000,000 will equal 68.95% on the $3,000,000 stock outstanding. A comparison with 1915 was 37.48%.

Standard Oil of New York.—Likelihood of the declaration of a stock dividend of 33⅓% in the near future was denied officially, and it was also stated that the company had no intention of distributing to its stockholders the $15,000,000 capital stock of the Standard Transportation Co. It was pointed out that present world affairs as they relate to shipping conditions make for caution.

Oil Inquiries

Oil Booms and S. O. Stocks

O. F. E., New York City.—A boom in oil is one of the most difficult booms to gauge, because there is so much uncertainty as to the supply. A supply of oil, as you may know, may be suddenly increased by the discovery of previously unknown pools, and the production of this product is of such a character that it may be quickly expanded or contracted. We can see nothing in the situation now that would cause a material decline in prices, unless there was a sudden increase in the output.

Few of the Standard Oil stocks have ever proven unprofitable investments if held, outside of the pipe lines. An article in the December 23 issue of The Magazine of Wall Street, by Lockwood Barr, very well illustrates the profitableness of Standard Oil stocks as investments over a period of years. The article also pointed out that the stocks selling on the lowest yield bases had usually proven the most profitable.

Producing companies have greater possibilities of expansion than the marketing companies, but those which engage in all branches of the business are likely to have the steadiest growth.

Ohio Oil is one of the biggest producing companies in the Standard Oil group. It has expanded, *steadily,* and although its production has declined in the original fields in which it operated, it is branching out into new territory, and will probably continue to do so.

Anglo-American Oil we do not favor so much because the company operates exclusively in Great Britain, and may not do so well immediately after the war.

Atlantic Refining has made no announcement of a definite decision to increase its capital this year.

New York Transit, as other pipe line stocks, has declined because transportation rates were lowered and cut into the profits of the company.

Cosden Oil & Gas

M. W. S., New York City.—Cosden Oil and Gas has better speculative possibilities than Cosden & Co., because of the fact that the company is engaged exclusively in the producing end of the oil business, and owns a very large and valuable number of undeveloped or partially developed leases. If further development proves successful, a great deal should be added to the value of the stock from a speculative standpoint.

If you are contemplating a purchase, however, we do not suggest that you buy it now, for, owing to the uncertainties in the foreign situation, we do not advise the making of fresh commitments at this time, either for investment or speculation.

Standard Oil of N. J.

B. T., Asbury Park, N. J.—Standard Oil of New Jersey cannot be judged by any of the ordinary rules used in arriving at the value of a stock. This company has never published a balance sheet, with the exception of certain figures, which it was required to submit to the court in the dissolution proceeding.

A judgment of the value of the stock, therefore, must be based entirely on a knowledge of generalities. It may be safely assumed that the Standard Oil Company of New Jersey has profited enormously in the past five years because the whole oil industry has prospered in this country. As the biggest and wealthiest company engaged in the petroleum business, as the company headed by what is acknowledged to be the most able men in the industry, it would indeed be cause for wonderment if the New Jersey company had not received its share of the general prosperity.

It may be assumed further that the New Jersey company has good and sufficient reason for reserving its surplus. It may be assumed that it is putting that surplus to work where it is showing returns and building up larger equities for the stockholders. Whatever the company does, or does not do, in reference to the payment of dividends or the distribution of surplus in the form of stock dividends to its stockholders, is a matter of policy. You may rest assured that whatever the motive for the policy is, the stockholders' interests have first consideration.

The very latest foreign developments have naturally modified our views somewhat on Standard Oil of New Jersey, and we do not consider it advisable to purchase the stock right now, unless one is prepared to carry it through a possible further heavy decline. Our reason for this is that the company has very large and important interests in Germany. Furthermore, it is doing a tremendous export business, and if the German submarine campaign is successful, it may be hurt materially. Consequently, while we believe that the stock even in the event of the entire confiscation of its assets in Germany, is intrinsically worth more than it is now selling for, from a market standpoint it would be inadvisable to buy it now owing to the uncertainties.

California Petroleum

K. T., New York City.—While the situation in California Petroleum has undergone improvement lately, and the company is now said to be earning enough to cover the 7% dividend requirements on its preferred stock, we do not favor either the preferred or common issues. While the stock may go somewhat higher, we do not think the common particularly is intrinsically worth its present selling price on the basis of the situation as it now exists, and, judging by the past record of the company, we think it would be much better for you to close out your stock at the present market, or on any rally that will let you out even, than to incur the risk of carrying it through another decline and being "hung up."

Our Contributing Editors

(Under the above caption we will publish from time to time communications from our readers on market topics or other subjects of financial interest. We believe that the interchange of ideas is one of the fundamentals of progress and are, therefore, always glad to hear from our subscribers on matters which interest them. Make your contributions short and pithy and write only on one side of each sheet of paper used. Names or initials will be used only with the writers' expressed authorization.—Editor.)

NEW YORK, Jan. 27, 1917.

Editor, THE MAGAZINE OF WALL STREET:

As a reader of your Magazine and a stockholder, I ask the opportunity of calling the attention of your readers to a matter which I believe warrants consideration on the part of investors. It is the apparent attitude of over-extension on the part of executives of our large corporations. Volumes have been written by our big men of affairs, warning the public against speculation, but no organized criticism has been directed against the enormous extension plans now being formulated by these same men.

In the case of a railroad, the policy of "plowing in" the earnings is justified when it is considered that the money is used for improving the road and reducing the expense of moving the traffic; or, perhaps, opening up new territory which will in time develop new business for the trunk line. The Great Northern Railroad stands to-day as a monument to the late James J. Hill, who developed it along these lines. But in the case of an industry, such as the manufacture of steel products, no such merits can be claimed. Here, we have an increase in capacity for production, with no corresponding increase in demand.

For some time the steel mills have been oversold, but mills all over the country are unable to run at capacity because of inadequate railroad facilities. What reasons have we to believe that more, or larger mills will improve this condition? Extensive building operations at this time, aside from the fact that materials are higher, tend to complicate an already distressing situation in the labor market.

In a table recently published in the financial page of the *"New York Tribune,"* it was estimated that for the period 1907-1913, an average of 70 per cent. of maximum capacity of the steel industry was employed. Is it the purpose of these executives to maintain this average?

In view of the vigorous manner in which United States Steel, Bethlehem and others are increasing their capacity, is it not proper that stockholders should be enlightened as to just what these men have in mind to justify their policy; a policy which seems to defy the very principles of economic reasoning?

Yours truly,

JULIUS SOMAN.

Contributed Articles

THE MAGAZINE OF WALL STREET is always ready to give careful consideration to contributed articles by our readers on financial topics. Those which we accept will be paid for at our regular rates. Manuscript should be typewritten, if possible, on one side only of each sheet of paper and should not exceed 2,000 words in length. Authors expecting their manuscripts to be returned in case we are not able to make use of them should enclose a stamped and addressed envelope. We do not assume liability for loss of manuscripts in transit.—THE MAGAZINE OF WALL STREET.

UNLISTED SECURITIES

Unlisted Bonds

Advantages and Disadvantages of This Type of Investment —A Survey of the Field—Some Representative Issues— —Outlook for Unlisted Bonds

By B. E. CARR

MORE and more, as the feeling grows that, despite renewed military activity and submarine warfare of unparalelled ferocity, despite even the possibility of the entrance of the United States as a participant in the world-conflict, the coming of peace cannot be indefinitely delayed, investors are turning to stability and safety rather than possible profit in their purchases of securities. There may be a desire to "salt down" the winnings of fortunate "war brides," or, perhaps, after severe burning of fingers, to get as far away from the speculative fire as possible. There is an instinctive feeling that the time has come to play for safety rather than profit, and, as always happens in such cases, bonds are once more coming into their own. It is probable that there may not this year be a repetition of the tremendous stock market activity which was so prevalent throughout 1916, but well-informed sources have no hesitation in stating that all signs point to 1917 being one of the biggest bond years on record. In other words, we are about to enter on an investment rather than a speculative era.

Low Yield Bonds

A close study of the bond market shows clearly that active "gilt edge" issues, listed on the New York Stock Exchange, are selling on barely a 4½ per cent basis. Such a return does not appeal particularly to the man who has been making—or losing—money in munition stocks. He would like to get from 5% to 6% on his investment, but few of the standard railroads and industrials yield so much. That is why he is turning with ever increasing frequency to a security which for some time has been more or less neglected —the "unlisted bond."

Why "unlisted"? What classes of bonds are not listed on one or other of the Exchanges, particularly the New York Stock Exchange, the country's great clearing house for securities? What are the disadvantages of the lack of such listing and what, if any, are its advantages?

Classes of Unlisted Bonds

Unlisted bonds fall roughly into four classes—issues of moderate size secured on properties of the lesser corporations; new issues of larger companies which eventually may, and probably will be listed; the majority of the issues of municipalities, and, more recently, some of the securities of foreign governments, this last representing an entirely new field for the American investor.

The disadvantages likely to ensue from the fact that a bond is not "listed" are perhaps more apparent than real. An unlisted bond, other than those in the second of the four classes enumerated above, will in all probability be less active than a listed one; quotations are not so readily available and publicity in regard to the financial condition of the issuing companies is not always obtainable in the same degree. Generally speaking, however, any reputable bond house can furnish both quotations and statistical data, and the fact that a bond is more or less inactive in no way militates against its

value as an investment security. Another fact which should be taken into consideration, especially by bankers and business men, is that unlisted securities are not so readily accepted by banks as collateral for loans.

Advantage of Non-Listing

The chief advantages of non-listing are that prices are more likely to be stable and represent actual values, free from extraneous influences; also, the comparative inactivity of unlisted bonds tends to keep prices at a fairly low level, thus ensuring in most cases a substantial income from the investment.

Unlisted corporate issues compromise bonds of railroad, industrial and public utility companies. In the last named class, especially, they are the rule rather than the exception. In the case of the railroads, they are generally the bonds of smaller corporations. This holds good also with the industrials, although there are several good-sized issues of substantial corporations for whose listing application has never been made.

Unlisted bonds of the larger corporations are usually new issues, as yet "unseasoned," which ultimately will find a place on the Stock Exchange Sheet, and securities which are being traded in "when, as and if issued." In this group at the present time are the new bonds of several companies in process of reorganization, many of which are selling at most attractive prices.

The unlisted municipal bonds are legion. Inasmuch, however, as the return is generally under 5%, they do not come within the scope of this article.

The war has caused Americans for the first time to think internationally in regard to their investments. Upwards of $2,500,000 of the securities of foreign countries have been sold here, chiefly short-term issues; some with attractive long-term conversion privileges, some secured by most valuable collateral, and all, by reason of the exigencies of the issuing governments, selling at bargain prices. Many of these foreign loans are listed, but not all.

It will be interesting to take a few representative issues of each class. In every case, the bonds chosen are well secured, have, in the case of corporate issues, an established record of earnings behind them, yield at least 5% per annum on the investment, and contain possibilities of an increase in principal value.

UNLISTED RAILROAD BONDS

To begin with the railroads:

1. *Bangor & Aroostook Railroad Co. Consolidated Refunding 4s, due July, 1951.*

These bonds are secured by direct mortgage on about 424 miles of road in Maine, subject to some $5,600,000 underlying liens. The company has been in existence since 1891, pays 3% per annum on its $5,000,000 stock outstanding, and reported a surplus after dividends for the year ended June 30, 1916 of $137,151. Earnings for the present fiscal year are in excess of those for 1916. The bonds are selling around 63½, at which price they yield approximately 6.75% per annum on the investment, and while not a first mortgage, appear to be sufficiently protected, with possibilities of working higher.

2. *Buffalo & Susquehanna Railroad Corporation. First Mortgage 4s, due December, 1963.*

The Buffalo & Susquehanna is a successor company, organized in 1913, to the Buffalo & Susquehanna Railroad Company, chartered in 1891. The old company fell on hard times after the panic of 1907 and after several years existence during which not only was interest paid on its bonds, but regular dividends on its preferred and common stocks, a receivership and subsequent foreclosure sale was inevitable. The new company has been placed in good financial condition, and its bonds, secured on the property of the former railroad company, are now selling on about a 5% basis. There are outstand-

ing $6,729,000 bonds out of an authorized issue of $10,000,000 secured by a direct first lien on about 237 miles of road in Pennsylvania, the main line reaching from Sagamore to the New York State Line; by a first collateral lien on about 20 miles additional, and by deposit of subsidiary coal corporation securities having an aggregate value of more than $2,500,000. A Sinking Fund retires bonds at the rate of $50,000 per annum, and $229,100 bonds, retired to date, are held alive in the Sinking Fund. One convenient feature for the small investor is that bonds may be had in denominations of $500.

The Buffalo & Susquehanna has established a record for speedy resumption of dividends by a reorganized railroad. There is outstanding $4,000,000 preferred 4% stock on which dividends have been paid since July, 1915, and $3,000,000 common. An initial dividend of 1% was paid on the common in August, 1916; 1% in October and 3% in December, making a total of 5% for the year. The road is stated to be earning at the rate of about 14% on the $3,000,000 common stock outstanding.

3. *Fonda, Johnstown & Gloversville Railroad Co.*

First Consolidated General Refunding 4½, due November, 1952.

These bonds, which are a direct first mortgage on 39 miles of road owned by the company, subject to $1,850,000 underlying liens, and a direct second mortgage on the remaining mileage, enjoy a distinction almost unique for securities of a small independent road —they are a legal investment for New York State Savings Banks. The Company is an old one, incorporated in 1867, and operates by both steam and electricity. It connects with the New York Central at Fonda, N. Y., and runs from there to Johnstown, Gloversville and Northville, being the only road serving this territory. The bonds are selling at about 83, and yield approximately 5.40%. The Company pays 6% dividends on its $1,000,000 preferred stock, and last year reported a small surplus after dividends, amounting to $23,864. Current earnings are reported to be in excess of those of 1916. The margin over interest charges is rather narrow, but the bonds appear to be reasonably secure.

4. *New Orleans Great Northern Railroad Co.*

First Mortgage Gold 5s, due August, 1955.

This is a Southern road, incorporated in 1905, located in Louisiana and Mississippi, and relying on the lumber industry for about 70% of its traffic. In 1915, owing to the stagnant condition of the lumber trade, the Company just about broke even after payment of its bond interest, but in 1916 a surplus of $235,521 was reported, and earnings for 1917 to date are still better. The chief need of the road is greater diversification of traffic, and strenuous efforts to this end are now being made. A new million dollar paper plant under construction at Bogalusa will provide considerable tonnage, and the problem of the "cut-over" timber lands is being pursued vigorously. The Company has recently appointed an Industrial Commissioner, who will conduct an organized campaign looking to the settlement of the lands, which, when accomplished, will add greatly to the general tonnage of the road.

The bonds, of which there are $8,248,000 outstanding of an authorized issue of $10,000,000, are secured by a first mortgage on the entire 243 miles of road owned by the Company. They are selling around 65 and yield over 7% on the investment. This extremely low price seems unwarranted in view of present excellent earnings, and is undoubtedly the result of the depression which in 1915 was common among nearly all Southern roads. The bonds should work substantially higher, and appear to be a good purchase at their present low price.

5. *Seaboard Air Line Railway Co.*

First & Consolidated 6s, due 1945.

These bonds are not yet listed, although they probably will be in the near future. They are a comparatively new issue, brought out in 1915, and are secured by a first mortgage on 416

miles of road from Hamlet, N. C., to Charleston, S. C., and a line of about 86 miles under construction between Charleston and Savannah, Ga. They are also secured by collateral lien on about 3,000 miles of road. The bonds may be had in as low as $100 denominations, and are selling on about a 6% basis.

So much for a few of the more or less well-known unlisted railroad bonds which have become fairly well "seasoned." A word now as to the new issues of some of the reorganized railroad companies. Many of these roads have recently passed through reorganizations of a most drastic character, necessitating much "scaling down" and leaving the companies in thoroughly sound financial condition. The securities of most of the roads whose reorganizations have recently been consummated, including those of the new St. Louis-San Francisco Railway Company and of the Missouri Pacific Railway Company (when issued) have already been listed. There remain still in the "unlisted" class such bonds as the new Western Pacific 5s of 1946, selling on about a 5.75% basis, and as other reorganizations now pending are effected, the new bond issues will in all probability sojourn for a while in the "outside" market. Such issues are frequently a source of considerable profit to the careful investor.

Among the public utility bonds, covering the properties of gas, electric light and power and street railway corporations, are to be found a number of unlisted issues. Some of these, however, are very inactive and have not been quoted for some time; others are of insufficiently high yield, and in some cases earning power is not such as to warrant inclusion of the bonds in an investment list. A few representative issues are shown in Table I.

It will be seen that, with the exception of the recently reorganized American Water Works and Electric Company, the public utility issues keep fairly close to a 5% basis of income. There is not likely to be much fluctuation in issues of this class, and earnings as a rule are fairly stable.

TABLE I

REPRESENTATIVE UNLISTED PUBLIC UTILITY BONDS

Name	Security	Due	Times Int. Earned Latest Report	Price About	Yield About
Alabama Power Co.	1st Mtge. 5s	1946	1.89%	97½	5.15%
American Gas Co.	Series A Deb. 6s	2016	5.86	100	6
American Water Works & Elec. Co. (Reorganized 1914)	Collateral Tr. 5s	1934	2.02	81½	6⅞
Asheville Power & Light Co.	1st Mtge. 5s	1942	3.77	100	5
Binghamton Ry. Co.	1st Cons. Mtge 5s	1931	1.72	97½	5.25
Boston Elevated Ry Co.	Debenture 5s	1942	1.31	98½	5.10
Portland (Ore.) Gas & Coke Co.	1st & Ref. 5s	1940	2.02	98½	5.15
Southwestern Power & Light Co. (A holding company)	1st Mtge. 5s	1943	7.76	94	5.35
Topeka Ry. & Light Co.	1st Lien & Ref. 5s	1933	2	94	5.60

Industrial Bonds

Industrial bonds have not, on the whole, been cheap during the past two years of unexampled prosperity, having shared to a certain extent the upward swing of nearly all industrial stocks. A few unlisted issues yielding 5% or better, and representing a variety of interests are given in Table II.

The new 5% bonds of the United States Rubber Co., issued a couple of weeks ago at 96¾, and now selling around 95⅞, are a most attractive industrial investment in the "unlisted" class. At their present price the bonds yield about 5.25% on the investment. Interest charges, including the $60,000,000 of this issue, were earned in 1916 nearly four times over.

The floating of many foreign loans in this country has introduced a new factor in American investing. When first the unsecured Anglo-French 5% Loan, for the stupendous sum of $500,000,000 was placed on the market, the Ameri-

can public was inclined to be wary. It was a new experience, and they were "from Missouri." Later, collaterally secured French and British loans bearing a higher interest rate were issued at attractive prices, and eagerly absorbed. Russian Internal and External Loans also found a ready market, to say nothing of Canadian Governmental and Municipal issues, French Municipal issues, and securities of Italy, Norway, Switzerland, Sweden and the South American Republics. For the first time, New York is challenging London as the Clearing House for the world's securities.

Among the corporate issues, the railroads seem low, judged by present performance. Public Utilities, like municipals, tend to gravitate to a settled investment basis. Less than any other class of securities are they likely to be affected by the cessation of hostilities.

The industrials, of course, are liable to trade fluctuations more or less severe in character, which are usually reflected in the market prices of both bonds and stocks. Undoubtedly, the coming of peace will have the effect of curtailing the production of those companies whose prosperity has been caused largely by the conflict. The possibility of the United States entering the lists complicates the situation still further.

TABLE II

INDUSTRIAL UNLISTED BONDS

Name of Company	Security	Due	Times Int. Earned Latest Report	Price About	Yield About
American Can Co	Deb. S. F. 5s	1928	8.68%	99½	5.05%
Atlas Portland Cement Co	Gen. & Ref. S. F. 6s.	1939	not reported	102	5.80
Case Threshing Machine Co	1st Mort. Serial 6s	1917-26	3.18	103½	5.25
Cosden & Co	1st Mtge. Conv. 6s	1926	2.68	106	5.20
Cudahy Packing Co	1st Mtge. 5s	1946	not reported	100	5
Lima Locomotive Corp	1st Mtge. S. F. 6s	1932	not reported	97	6.30
Rogers-Brown Iron Co	1st & Ref. 5s	1917-40	1.90	95	5.60
Sulzberger & Sons Co. (Now Wilson & Co.)	1st Mtge. 6s	1941	not reported	103½	5.75
Union Oil Co. of California	1st Mtge. S. F. 5s	1931	8.03	97	5.30
Yosemite Lumber Co	1st. Mtge. 6s	1917-28	not rep.	100	6

Many of these issues are listed on the New York Stock Exchange and enjoy a very active market. Among the more active unlisted bonds or notes may be mentioned the various Canadian issues, selling around a 5% basis, and European loans. See Table III.

Despite labor troubles and fear of further governmental interference, both of which may be shelved indefinitely during the process of "Internationalizing America," it would seem that some of the unlisted "second-grade" railroad issues offer not only a substantial return to-day but that, all things considered, they are selling too low, and should, given a continuance of good earnings and freedom from hostile legislation, gradually work up to considerably higher prices.

TABLE III

FOREIGN UNLISTED LOANS

	Due	Price	Yield
French Municipal Loans (Cities of Paris, Lyons and Bordeaux)	1919	96¼	7.60%
Russian External 5½s	1921	88⅝	8.35
Russian External 6½s	1919	96¾	7.96
United Kingdom Secured 5½s (New Issue)	1918	99⅝	6.14
	1919	99	6.01

Outlook for Unlisted Bonds

What of the outlook for unlisted bonds? From the various representative issues, noted above it will be seen that in each group, with the exception of the foreign loans, the yield in most cases ranges between 5% and 6%. Which group, then, is likely to possess the greater possibilities of enhancement in principal value?

Unlisted Security Notes

Ætna Explosives Co.—Great Britain has exercised an option on 9,000,000 pounds of smokeless powder to be manufactured by this company. This is the second order for this quantity received from Great Britain, and according to reports is valued at $5,000,000.

Alaska Mines Corp.—John H. Miles, field engineer, who is returning to the properties of this company in Nome, makes the statement that producing costs with the new 27-cubic yard boat in operation will be around 2 c. per cubic yard. He estimates production at $1,250,000 net profit. The new dredge, which it is understood will be in operation this year, is the largest ever constructed and has a capacity of 400,000 cubic yards per month against 300,000 cubic yards by the 18 cubic yard boat of the Yuba company.

American Wringer Co.—The gross earnings for the year of the American Wringer Co., ended December 31, showed earnings of $262,085, as against $194,598 in 1915, which, after dividends, leaves a balance of $174,082, and for last year $144,421.

Canada Steamships Lines.—The company's balance sheet for the year ended December 31 has not as yet been made public, although it is expected that the net earnings will be approximately somewhere in the neighborhood of the $4,000,000 mark. A dividend of 7% on the preferred stock has been declared on account of back dividends, payable March 1, leaving 5½% still due on this issue.

Emerson Brantingham.—Has issued a statement showing that a 1915 deficit of $273,089 has been wiped out and a surplus of about $78,000 established, which includes a depreciation charge of $125,000.

Ford Motor Co.—On January 18 this company filed with the State Commissioner of Corporations in Massachusetts its balance sheet, showing a surplus of $137,547,038, as against $81,761,284, an increase of $55,885,754 for the same report last year.

Goldfield Consolidated Mining.—The December output of the company amounted to 26,000 tons, on which was realized $16,441.

Hart, Schaffner & Marx.—For 1916 reported net profits of $1,792,000, against $1,287,000 in the previous fiscal year.

Inland Steel Co.—The company's surplus for the year ended December 31, 1916, amounted to $9,650,878, as against $3,187,528 for the year ended 1915. A dividend of $5 was declared, payable March 1 to stockholders of record February 10.

Midvale Steel.—Several directors, figuring on the asset value of this company's $100,000 stock at par, found an asset value of $65 per share, after leaving allowances for the company's rifle contract. It is claimed that by the end of the present year this company will have net working capital assets and property, after allowing for the present dividend of 12%, equal to $80 per share.

New Jersey Zinc.—Net profits for 1916 approximated $35,000,000, out of which dividends of $26,000,000 were distributed.

North Butte Mining Co. reported its production for the quarter ended December 31, 1916, as being 6,729,561 pounds of copper, 289,854 ounces of silver and 500 ounces of gold, an increase of 654,819 pounds of copper, 25,454 ounces of silver and 58 ounces of gold over the previous quarter. The balance sheet for the quarter shows a surplus of $5,274,941, an increase of $485,572 over the quarter ended September 30.

Pierce Arrow.—Reported that demand for motor trucks is taxing the capacity of the company's Buffalo plant and is the greatest in its history.

Scoville Manufacturing Co. declared an extra dividend of 10%, payable to stockholders of record January 2. So far this is the tenth monthly dividend of 10% paid by the company.

Triangle Film Corp.—It is said that this company intends to increase its capital stock $3,000,000, making the total stock $8,000,000. Considerable of the new stock will be used to acquire the assets or stock of the different companies now supplying the Triangle exchanges with films. What is not used is to remain in the company's treasury for corporate purposes. The property to be taken over for the exchange in stock is rumored to be the New York Motion Picture Corp. The Triangle Corp., according to reports is now free from debt and has considerable cash working capital in hand.

The United States Steel Casting Co. has purchased the National Casting Co., of New Cumberland, W. Va. The purchaser, which was recently incorporated in West Virginia with a capital of $1,000,000, intends building a number of steel foundries in the Cumberland Valley.

The United Sugar Companies propose to double their output to approximately 40,000,000 pounds of white cube and granulated sugar, with a by product of about 3,000 tons of alcohol. Past earnings have been in excess of $500,000 yearly, and with the increased production made possible by the present financing should be considerably in excess of $1,000,000. The companies own in fee 140,000 acres of land and have a capital stock of $6,000,000.

TOPICS FOR TRADERS

Mr. Baruch's Half Million

How an Expert's Knowledge of Technical Conditions Enabled Him to Execute a Remarkable Coup

By THOS. L. SEXSMITH

NOT the least remarkable incident of the now famous "Wall Street Leak" investigation was the testimony of Mr. Bernard M. Baruch. It is always interesting to learn of anyone making a cool half-million dollars in the short interval of ten days, whether the "clean up" was made in Wall Street, a deal in cotton, the signing of a movie star, or any of the ways in which sudden fortunes are made. Who does not like to know how the other fellow does it?

Mr. Baruch is a large operator in the market. It is no piker who can swing a line of 25,000 shares, long or short. To do so in the first place requires capital—a goodly part of a million. No ten point margin trader is your operator who deals in such amounts.

Qualities of Successful Operators

But capital is not the only essential to the success of the large operator. He must have the stern quality of courage and an iron will. He may be a quick or slow thinker, as nature equipped him, but however he thinks, a thinker he must be and not a blind follower of tips and rumors. Then he must have that all essential "ex" without which no one ever got anywhere, or at least very far, in any chosen field of endeavor—experience.

Mr. Baruch, in his testimony before the Congressional investigators, denied that he had been guided in his market operations by information in regard to diplomatic developments received through any private source. He did not say that he had not given serious thought to such developments as were reported in the public press, and which were open to the consideration of anyone who might have been interested in the market at the time. On the contrary, he stated that he had kept a close watch on the war situation, and attached great importance to a certain significant statement of the German Chancellor made before the Reichstag some time before the President's note to belligerents was issued.

Market's "Technical Position"

But as keen as was Mr. Baruch's interest in developments outside of the market which would likely affect prices as soon as their import became known, this interest was secondary to his expert knowledge of the technical position of the market. It is a difficult thing to impress the layman with the importance of "the technical position"; in fact very few people who concern themselves with the doings of the market have more than a hazy idea as to what that term means. Yet, it is simple enough, when once understood, and its importance grows as one gains in experience.

What the Averages Showed

To properly appreciate Mr. Baruch's reasons for taking the short side of Steel, it is necessary to consider the technical position at the time, examining the market in general and U. S. Steel in particular. Fortunately, recourse to the excellent *times* averages of the 50 Stocks makes it comparatively easy to review the market; and the behavior of Steel at the time under consideration, around the middle of December, is still fresh in the memory of most active traders.

We will take as our starting point the period of dull markets, which continued throughout the months of June, July and the early half of August, 1916.

It was in this period that the foundations were laid for the extensive bull movement which culminated in November. The upbidding of prices began with a rush around the 10th of August, and there was scarcely a halt in the vigorous upward swing until the first week in October, when the market broke with some degree of panicky action, supposedly on rumors of peace which came from inspired sources.

The break was small in proportion to the previous advance, and after a short period of readjustment, occupying exactly one week's time, the advance was resumed with even greater forcefulness.

During the Summer of 1916 daily volume of trading on the Exchange had dwindled down to a point which showed that there was only a small public participation in the market. Prices fluctuated within narrow limits and total sales ebbed and flowed between a quarter and a half million shares daily. The public was not interested in the market.

But as the prices began to move upward a new public interest was aroused and during the latter half of September the daily transactions averaged well up around the million mark. The public had begun to come in but the stampede was not yet.

A "Public" Market

It was not until the latter weeks of October that the market became completely a public affair. The writer, not being familiar with Mr. Baruch's personal methods of reading the market, is not in a position to state the one factor which more than any other influenced his judgment regarding the technical position of the market at the time he entered the short side with such large sized commitments. But the opinion is ventured that the one outstanding feature of the situation, and the one most likely to influence such a keen judge of the market as Mr. Baruch, and to convince him of the inevitable certainty of lower prices, was the fact that from the first week in November until the first week in December there were five weeks in which a total of very nearly forty million shares of stock was traded in on the Exchange, during which time the average market, as measured by the fifty stocks, was unable to make the slightest headway. This kind of action, coming after twelve weeks of rising prices, and an average advance for the fifty stocks of over seventeen points, gave as clear demonstration of the technical situation as any operator could hope to obtain. It is evident from Mr. Baruch's operations, at least, that it was sufficient for his purposes.

The forty million shares turn-over referred to represented an urgent popular demand for stocks at the highest prices witnessed in many years, and, in a number of individual instances, the highest prices ever attained. The action of the average prices during this five weeks period, when viewed in connection with the huge turn-over of stocks, showed that from one source or another stocks were being furnished in sufficient volume to satisfy the enormous demand. An unhealthy technical position had been created by the wholesale transfer of stocks at record prices from one class of ownership to another.

Steel the Chief Medium

While Mr. Baruch dealt in a considerable number of different issues it is seen from his testimony that his really important operations were confined to U. S. Steel. Having tested out the market for that stock, and noting that it failed to respond to his buying by an advance, but rather sold off several points, compelling him to take a loss on those trades, he immediately reversed his position, taking the short side and putting out a total of 25,000 shares, selling some of this stock on the rally which followed the earlier reaction. It is interesting to speculate on Mr. Baruch's reasons for selling Steel, although it is not at all unusual that he should have done so because Steel, on account of its present popular position with the public, is the ideal stock in which to conduct large speculative operations.

U. S. Steel Common was the leader of the bull market of last Fall. It is the one stock which has the greatest hold upon public imagination. Whenever Steel Common does anything spectacular in the way of price movement a large public following may be counted upon. When Steel is going up, everybody wants to get in. There were days in November when over a half million shares of Steel alone were traded in. Its highest selling price for that month, and the highest so far in its history, was 129¾, while the low for the same month was 118⅜. Around November 20th it first touched 129. On five of the next fifteen trading days it touched that figure again, and on two of the five days exceeded it fractionally. The largest day's trading in it up to that time took place on November 7th, when over 600,000 shares were dealt in and the high price for the day was 126. The advance did not stop with this record trading day but, after a sharp reaction of about five points, continued until the fifteen day period referred to above had been reached.

Tremendous Trading

While trading continued on a tremendous scale after the record day of November, there was a noticeable tendency toward contraction of activity and this was especially apparent after the price had reached 129. During the first two days it sold at that figure the transactions in Steel averaged 350,000 shares. The next time 129 was touched was four days afterwards, on a Saturday, and the transactions were relatively smaller on that day than on the two earlier days when the same figure had been reached. The following Monday, however, Steel went to its new high at 129¾, and while transactions on this day about equaled those of the two earlier days, the net result of the day's business, despite the making of the new record high, was a loss of two full points. Five days, following this, Steel again sold at 129. By that time trading in it had fallen off to less than 200,000 shares, and three days later, when Steel rallied fractionally above 129, the total transactions for the day was less than 150,000 shares.

Ideal for Short Selling

After weeks of tremendous activity featured by a sensational rise in price which had attracted thousands of new buyers, Steel had begun to act as if its advance had gone stale. It had flattened out on top of a fifty point advance. From a technical standpoint its position was ideal for short selling. It is no marvel, then, that Mr. Baruch selected it as the medium for his major operations. It required no inside knowledge or "leak" information to indicate to the experienced observer that Steel was due for a considerable decline. The crash was only a matter of time at best, and while it cannot be doubted that the forehand knowledge of developments in the diplomatic situation would be of some value to the operator in Steel, giving him the cue by which he could most accurately time his commitments and perhaps give him a degree of boldness in his operations which he might otherwise lack, still it is quite plain that it was the intimate knowledge of the fundamental weakness in the technical position of the market as a whole, and of Steel in particular, which was of the most practical value to a man like Mr. Baruch. He had correctly appraised the technical situation, and, by repeatedly testing the market for responses, was ready at the psychological moment for the grand coup. He was on the alert to detect the appearance of adverse news developments, chiefly because he knew that the market was in a position, because of the inherent weakness of its technical structure, to readily give way under the impact of any sudden shock.

When the inevitable crash came he was not long of the market, as were so many thousands of others, but was short, and to the extent of 25,000 shares. When the news came out and erstwhile bulls were rushing in their orders to sell or were being sold out by their brokers for the lack of additional margins, he was busy covering, and when the deal had been completed he had cleaned up nearly half a million. It was Mr. Baruch's keen insight into the technique of the market that enabled him to make such a satisfactory turn.

Scientific Speculation

(Concluded.)

Method for Investors—When to Buy—The "Insurance" Element—Methods in General—Fallacy of Mathematical "Systems"

By ARTHUR L. SARDY

PART 5

WHILE the method of trading described in the preceding pages is intended for active traders, the same general principles apply to the operations of temporary, or even permanent, investors, and the method, with modifications, can be used by them as an insurance policy to protect them against serious losses resulting from depreciation in the market value of their securities, thus enabling them to invest with a considerable degree of safety in stocks paying larger dividends than would otherwise be considered prudent. In order to attain this result it is necessary for the investor to become a trader for short periods when the market price of his securities falls below their cost.

A Theoretical Example

Let us suppose that you have a few thousand dollars, which you want to invest where it will yield the highest possible return. There are plenty of apparently good stocks for sale at prices which are tempting because of the high dividends which they are paying, but you are very properly afraid to buy them because a fall in the market price may counterbalance the dividends, and more. Furthermore, you are confronted with the question of when to buy as well as what to buy, one problem being as perplexing as the other.

The Buying Time

As to when to buy, one time is as likely as another to be right, unless you wait for a panic, which may be several years on the way, and after which you may have to wait another year or two for a recovery, so the probability is that you will do as well to buy whenever it is convenient as to take the risk of a rise while waiting for a recession.

Having decided what, when and how much to buy, give the order to your broker to *buy it at the market.* As soon as it is bought, and the price reported to you, give your broker an open stop-order to sell double the quantity you have bought, one point below the price which you paid. If the market advances, or remains nearly stationary, you will experience the satisfaction of having done the right thing from the start. Don't take your profits unless you want to join the ranks of active traders. Let your stop-order stand where you originally placed it; in other respects regard your purchase as a permanent investment. You will get all dividends and in the event of a rise in the market value of the security you will get that also when you decide to dispose of it.

In case the market declines and your stop-order is reached, you will find yourself "short" a number of shares equal to your original purchase. Immediately place a stop-order to buy enough to cover your short sale and put your long again exactly where you bought in the first place. If the market continues to decline, move your stop-order down to within one point of the lowest it has touched, and keep it always within one point of the bottom. Repeat the process until you find that you are long one point from the final bottom. Then stand pat, letting your stop-order stand, but refusing, to take any profits on the long side. If a considerable drop has occurred since your original purchase you will have made a good profit as a speculator on the short side and at the wind-up you must be long one point from the bottom. If no fall of consequence has occurred and you have merely encountered a choppy market, you will have paid a few points for "insurance" which is worth its cost,

but it is unusual for a stock to chop right at the top or bottom. There is usually a slight recovery before this occurs.

In short, the investor should operate the method as the speculator does, with the important difference that the investor must refuse to take his profits until they become very tempting. The process can easily be reversed by those who wish to sell short for a long pull.

Methods in General

Some methods of speculation are based on charts showing what the market has done in the past, but which cannot possibly give any intimation of what it is likely to do in the future. Others are figured on a supposedly mathematical foundation. Those which rely upon increasing the size of one's commitments as the market goes against one, such as buying every point, or every certain number of points down, and selling every point, or every certain number of points up, may, and sometimes do, work satisfactorily for a long time, but, as a man who had figured out a number of these methods once said to me, "They all meet their Waterloo sooner or later." A panic, when one is long or a protracted rise when one is short sweeps away, in a few days, all that one may have made in months, or even years.

The trouble with all such systems is that the operator makes comparatively little when he is right, compared with what he loses when the market goes steadily against him. As far as my observation extends most beginners operate, or at least believe in, some system of averaging. "Buying on a scale down," may be all right from the viewpoint of an insider who knows what he is getting, but the "outsider" who follows it long enough will come to grief. "Selling on a scale up" is even worse.

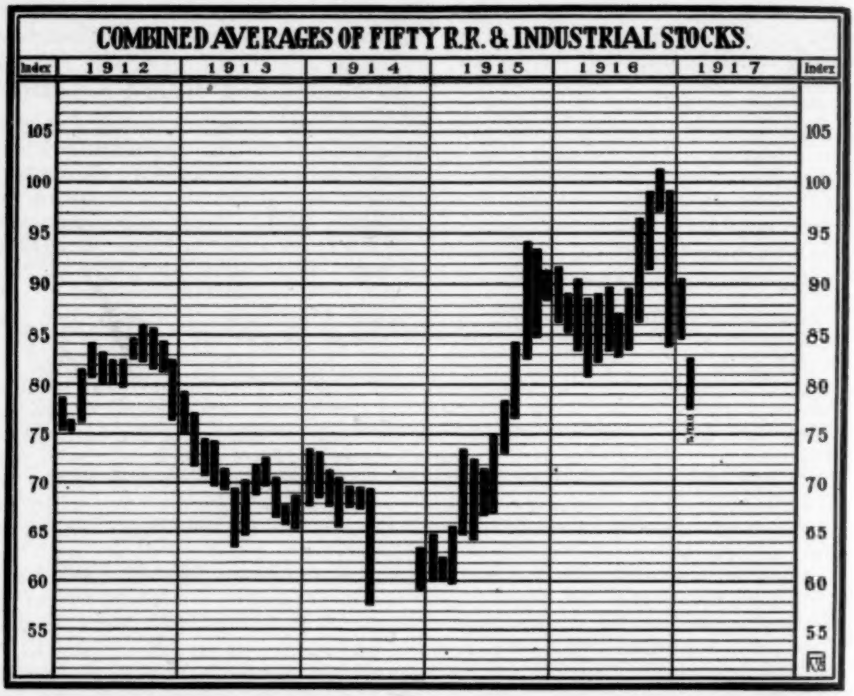
Those methods which increase as one wins, are far safer than those which reverse this process, and the faster the increase the better the chance for a large profit. The man who doubles his stake after each loss inevitably goes broke, while those who double the size of their operations as their capital doubles are following in the footsteps of successful men in all lines.

No Mathematical Method Satisfactory

It is impossible to devise a mathematical method of speculation which will create a percentage, or even a preponderance of chances, in favor of the operator, and to spend time looking for it places one in the class with those "bugs" who search for perpetual motion, or transmutation of metals. On the contrary there is necessarily a percentage against the operator, consisting of the broker's commission and the tax. As an offset to these, the speculator on the long side receives occasional dividends in excess of the interest on borrowed capital, while the trader who is short of dividend paying stocks for protracted periods has an additional handicap in the dividends which he must, from time to time, pay. The common phrase to the effect that bears pay no interest is erroneous to that extent. For short periods, between dividend dates, the gradual rise due to accruing dividends is purely theoretical and may be ignored in practice.

Methods of Averaging

All methods of averaging are based on the supposition that the market must remain within defined limits beyond which it cannot go, experience to the contrary notwithstanding, while my method is founded upon the opposite theory, viz:—that the market will not remain indefinitely marking time between certain limits, but will, sooner or later, experience a decided movement up or down, we don't care which. Those who buy on every little drop and sell on every little rise make money slowly while I am slowing losing it. On the other hand when a big rise or a sudden decline occurs, I win and they lose at a far faster rate than they ever win or I ever lose. Take your choice. I make no claim that my method will win on a dead stock in any market or on any stock in a dead market. The only method known to beat these is neither new nor original, but it is effectual. Leave them alone.



MARKET STATISTICS

		Dow Jones Avgs.		50 Stocks			Breadth
		20 Inds.	20 Rails	High	Low	Total Sales	(No. Issues)
Monday,	Jan. 29.......	95.78	103.68	87.16	86.12	426,900	205
Tuesday,	" 30.......	95.85	103.66	86.55	85.24	562,800	223
Wednesday,	" 31.......	95.44	102.71	86.10	84.71	728,200	231
Thursday,	Feb. 1.......	88.53	99.31	82.52	79.54	2,130,600	267
Friday,	" 2.......	87.01	97.50	81.13	78.40	1,385,400	260
Saturday,	" 3.......	89.98	98.16	80.34	77.24	915,800	244
Monday,	" 5.......	92.09	98.58	82.30	80.32	1,182,100	219
Tuesday,	" 6.......	92.81	97.94	82.40	80.81	935,100	214
Wednesday,	" 7.......	92.18	96.97	82.81	81.04	905,200	214
Thursday,	" 8.......	90.94	96.75	81.36	80.04	856,100	205
Friday,	" 9.......	90.70	96.81	80.91	80.03	436,100	185
Saturday,	" 10.......	91.51	97.11	80.82	80.40	162,900	150

Wall Street's Greatest Year

During the year 1916 sales of stocks on the New York Stock Exchange were the largest known since 1906. In bonds, the trading set a new high record, while, as a whole, the financial transactions of the year were the most active the country has ever known. Sales of stocks in 1916 made an aggregate of 232,842,807 shares, against 172,000,000 in 1915. The bond sales reached $1,171,625,250, which in round numbers was an increase of more than $200,000,000 over the preceding year.

Technical and Miscellaneous Inquiries

Coffee Trading

Q.—Will you kindly give me briefly a few fundamentals concerning coffee trading? What is the unit of trading? Is the trading all done through the New York Coffee Exchange? In what terms are prices quoted? Are there any brokers who accept odd-lot orders in coffee? If there are, can you give me the names of one or two reliable firms? What is your opinion regarding the future of the coffee market for the next few months or a year?—B. K., Sandusky, O.

Ans.—Coffee futures are traded in on the New York Coffee Exchange, there being no other Exchange in this country where they are dealt in. The unit of trading is 250 bags per contract and no odd lot transactions are sanctioned by the Exchange. Prices are quoted in tenths and hundredths of cents a pound. A bag of coffee weighs approximately 130 pounds, hence a fluctuation of 1 point in coffee or one hundredth of a cent per pound, means a change of value of $3.25 on each contract of 250 bags. The commission is $20 for a round turn of buying and selling. The margin required for trading is $250 a contract.

Directors Buying Stock

Q.—A stock corporation, incorporated under the laws of the State of New York, has both common and preferred stock outstanding; there is sufficient surplus to pay the accumulated dividends on the preferred stock, and the board of directors are desirous of buying the preferred stock and placing it in the treasury.

In your opinion, is this permissible without securing permission of the authorities at Albany for the retirement of this class of stock? In other words, may a corporation buy up its preferred stock without cancelling same?—C. P. F., N. Y. City.

Ans.—As a general rule, if there is nothing in the charter forbidding it, directors can buy up the preferred stock of a company at any time they see fit. Very often there are provisions in the by-laws, that the preferred stock may be called at a certain price, but there is nothing in the law as far as we know to prevent directors going into the open market and buying up their stock at any time. This opinion is based upon generalities, however, and as there may be technical points governing a special situation, we suggest that you refer the matter to a lawyer.

Collateral with Brokers

Q.—Will you kindly advise me as to procedure to be taken when I wish to place collateral in hands of broker to be used as margin, so that, in case he fails, I could secure the collateral by paying the balance I owe him.—L. P. H., San Francisco, Cal.

Ans.—When a client places securities in the hands of his broker as collateral to be used as margin, he advances the certificate (if it is stock) and the broker then issues him a receipt containing a description of the security. The reason the security has to be endorsed by the client, is that the broker has it transferred to his name, so that he can negotiate it should it become necessary to do so. In case the broker fails, you are entitled to your security so deposited by balancing your account with your broker.

Danger of the Rut

ONE of the greatest dangers that can befall a man is the danger of getting into a rut. The only danger that I can think of that is greater, is that of staying in after getting in. There are a thousand outside forces that conspire to force a man into a rut. There is only one force that can keep him out or get him out after he is once in, namely—the force of his own character. It is a commonplace of observation to say that our Twentieth Century civilization tends towards sameness. This is especially true in America. Our social and business customs turn out a finished human product a good deal like clothespins are turned out of a machine—all very much alike. Fear of being made conspicuous, which, after all, is one of the principal motives governing human beings, makes us all follow on the same beaten path. We are alike in dress, alike in manner, alike in speech. We are even alike in thought, according as we follow this, that, or the other leader. Few of us possess real originality. Those who possess any at all usually prefer to stamp out the spark, to follow the line of least resistance, to copy rather than to do something new. The result is—the rut.—*S. W. Straus.*

Submarine Panic in Cotton Market

Threat of Ruthless Submarine Warfare Causes Break of $25.80 Per Bale—A Stop Order Panic

By O. D. HAMMOND

ON Wednesday, January 31, the cotton market advanced to the highest prices of the week. Some of the heaviest cotton operators who have been bearish for some weeks were forced to cover at a substantial loss.

Many were so convinced by the firm action of the market and by the strong statistical position that they were induced to switch to the bull side. One prominent operator, now spending the winter in the South, purchased thirty thousand bales of cotton just before the close on Wednesday when the market closed firm at 17.48 for March, 17.66 for May and 17.64 for July. This particular purchase of 30,000 bales was in the May option and the average price paid was just above 17.60. There was then not the slightest inkling of impending disaster and nothing to suggest the demoralization that was impending. But, as has been pointed out in these columns repeatedly of late, a market that is purely political and based upon the contingencies of the foreign situation, is at all times hazardous.

On Thursday morning the papers published the German note to the United States Government, announcing that all ships were to be sunk at sight regardless of nationality or neutrality, and rescinding the previous promises of the German Government to adhere to the rule of visit and search. Maritime insurance rates immediately jumped sky high, or were withdrawn altogether. If the German threat were to be carried out it would mean a practical stoppage of our tremendous cotton exports. The cotton trade both North and South was in a panic. The cotton merchant in the South, with his warehouse full of unsold bales, the mill owner in the North and East with his warehouse full of high priced bales, and most of all the many newly converted bulls among the speculative element, with their brokers' account heavily long of 17½ cent cotton, were all seized with a sudden panic.

Everybody wanted to sell. Brokers around the ring had their hands full of orders, all to sell at the market. In twenty minutes after the opening May cotton, which had sold at 17.66 cents when the market closed on the previous day, was selling at 12.50 cents, which represents a loss of $25 per bale, or 5 3-16 cents per pound. The operator mentioned above, who had the previous afternoon purchased the 30,000 bales, sold his line well below 13 cents and took a loss of just about three-quarters of a million dollars. He made his purchase about ten minutes before the market closed on Wednesday and took it out about twenty minutes after the market opened on Thursday. Thus he was in the market only about a half an hour of market time. He bought at the top and closed it out almost at the bottom, and he was only one among thousands of others.

There was almost an utter lack of speculative short interest, and there was no purchasing power from this source to sustain the market, or to check its precipitous drop. If there had been even a moderate short interest these shorts would have covered their contracts after

a reasonable break and the buying power thus afforded would have steadied the market, encouraged investment buying by spot cotton merchants and there would have been no panic.

Nothing like this collapse has ever been experienced before in the history of the cotton trade. In the rapidity of this decline and in its extent there is no parallel in the whole life of the Cotton Exchange. In 1904, when Daniel J. Sully ran his corner in cotton, there was a sudden collapse from around 15c. to 12½c. This sudden drop of 2½ cents a pound, or $12.50 per bale, brought about by the announcement of Sully's bankruptcy, was the cause of many other failures and has always since been referred to as the "big break in the Sully corner." The next most notable break was the break that caused the failure of the largest bull firm in 1914, when the war broke out between Germany and the Allies. There was a break of 2c. per pound, or $10 per bale on this occasion. This break of 2 cents per pound not only caused the bankruptcy of several of the largest Wall Street firms but was the direct cause of closing the Cotton Exchange and keeping it closed for many months.

In 1904 a break of 2½c. caused Sully and many others to fail. In 1914 a break of 2c. caused the failure of the Pell firm and many others and closed the doors of the Cotton Exchange, yet in 1917 a break of 5 3-16c., about twice as heavy as either of these other memorable collapses, not only caused no failures, but so far as is known caused no serious loss to brokers by reason of the failure of their customers to make good their losses. When one considers that the usual margins required on Wednesday were from eight to ten dollars per bale and that the collapse on Thursday was so sudden that stop loss orders were no protection whatsoever and were executed from one to five hundred points under their limit, it is a remarkable tribute to the soundness of both the brokers and their customers that failures and financial distress did not follow in the wake of such a drastic collapse.

This collapse brought out the fact that almost every trader in cotton had attempted to protect himself from undue loss by means of a stop loss order. In other words, the man who bought cotton at 17c made up his mind that he wanted to limit his loss to, let us say, two dollars per bale. He attempted to do this by telling his broker to sell the cotton as soon as it should decline to 16.60c, or forty points below where it was purchased. Another who purchased at 16.75c put in a stop at 16c and so on through the list of thousands of customers. Everybody had fixed upon some point beyond which he was anxious not to commit himself.

Each one of these stop orders must be executed at the best figure the broker can obtain after the market once reaches the price or limit of the stop. When a stop price is reached, it becomes a market order. The broker has no option in the matter; he must sell as best he can, even though the best is two or three hundred points below the figure placed in the "stop." It must be executed and "at the market."

Thus, it happened that the attempt of a vast number of men to play safe was the undoing of them all. An accumulation of stop orders turned what might have been only a drastic decline into a panic. A stop loss order is an excellent protection in normal times. It, as a rule, insures one against a greater loss than he can afford. It enables one to limit the amount of risk that he takes. In abnormal times everybody sees the wisdom of operating with a "stop," and when everybody's stop is jumped over in some sudden panic, the accumulation of stops that must be executed at the market becomes not only a source of danger but is sure to defeat, by their own operation, the very object for which they were intended.

After the market had digested all these stops and after the whole cargo of bull accounts had been thrown overboard, the spot dealers began to purchase to procure some of this bargain cotton. Their purchases, light as they were, came after the whole long account was liquidated, and the limited number of out of town shorts, who

operate by telegraph, began to take in short profits. This small buying rushed the price back up 500 points, or about twenty dollars per bale, but the rally failed to hold. No one expected it to, with war with Germany anticipated on all sides. May closed at 15.14c, showing a net loss of 2½c or $12.50 per bale for the day.

With the final break in diplomatic relations, and with the relief from the tension of uncertainty and uneasiness the market has steadily advanced until at the time of this writing, it is almost back to where it closed on Wednesday before the panic.

Since the panic on the first of the month, and, in view of the extreme danger of an American entrance into the great European war, the margins required by many brokers for cotton trades are around fifteen dollars a bale. Some are content with ten, where they know the customer to be financially sound. One broker said to his margin clerk recently, "Make your margin requirements as nearly prohibitive as possible."

In the present crisis in our national affairs it is futile to attempt to say what may or may not happen in the cotton market. Too much depends on whether we have war or not. If we have war, will it be an active or a passive war as far as this nation is concerned? Will the German submarines be as ruthless as they threaten? Is the European war to be prolonged or shortened by Germany's new methods or by dragging America into it? All these questions will play a part in the fixing of cotton prices. Crop prospects, supply and demand are all in the background, compared to the political uncertainties. Economic considerations cease to control prices. When it comes to war and diplomacy one man's guess is as good as another. To speculate in cotton during the present crisis is to gamble in diplomacy.

War—and Wheat

By P. S. KRECKER

SCENES have shifted unexpectedly on the wheat stage and a new and puzzling situation has been created by the break between the United States and Germany. The overshadowing question is no longer one of supplies, but the larger problem of what effect the entrance of the United States into the war would have on values. Proceeding on the general principle that war is bullish on wheat, the first impulse would be to expect an enhancement of values to highest prices yet touched. That this would be the effect on the foreign markets is reasonable to suppose. But, it is less reasonable to assume that the domestic wheat market would advance. The government of this country might regard it prudent to take steps to limit exports so as to assure the people of this country of plenty of bread at moderate prices. It is likely that in foreign countries further economies would be practiced to conserve foodstuffs, thus reducing foreign consumption. Our government would float large war loans and this might result in reducing speculation. It is barely possible that the government would regulate prices and suspend operations of speculative markets or limit their transactions to a minimum, as has been done by all of the belligerent nations. Much has been learned from the experience of the European nations in wartime regarding the regulation of money and food markets, and in the event of war the government of the United States undoubtedly would apply some of these lessons to the solution of domestic problems. It is gravely to be doubted that the government would permit speculative operations to send prices of necessities soaring.

While momentous questions arising out of the crisis with Germany are pending, wheat has been unfavorably affected by a two-fold interruption to

the movement. The German blockade has seriously hampered exports, while the railroad blockade has almost as seriously interfered with the domestic movement. At present writing the export trade is virtually at a standstill. It is almost impossible to do business, both because of the perils of shipping and the inability to secure wheat at seaports. On the one hand there is hesitation about entering into new contracts, while on the other wheat already contracted for and due at Atlantic ports is hard to obtain because the railroads have been unable to move it. The scarcity of spot grain has resulted in high premiums being paid in Atlantic ports.

While the Allied nations are making strenuous efforts to break the German blockade, shipping has suffered severely, and it is intimated in foreign advices that the amount of foodstuffs imported may be reduced to such an extent that great economies must be practised. One foreign market has been cut off absolutely as a result of the German blockade by the closing of the ports of Holland. It must be remembered, too, that other neutral nations of Europe would be unable to import foodstuffs or other contraband of war from the United States in the event of our entrance into the conflict. Germany, for example, would absolutely interdict the shipment of any contraband to Sweden.

At home the railroad situation is so serious as almost to cause alarm. West of Pittsburgh, traffic appears to be demoralized. Exporters are unable to get grain out of central territory and may not be able to do so for a month. The situation has resulted in enormous demurrage losses by shippers and seaboard clearances have been exceptionally light. Meanwhile, the domestic mill trade has suffered as well. Advices from Minneapolis have been that more than 50 per cent. of the flour mills of that center have been forced to suspend grinding owing to inability to move out their flour. These developments of course tend to reduce the demand for wheat.

Crop news is rather disappointing and were other things equal would be reflected in sharply higher prices. A cold wave of almost unprecedented severity has not done the winter wheat plant any good and may have done irreparable damage in spots. That the whole crop has not suffered is indicated by the February 7 National Weather and Crop Bulletin.

Foreign crop news is mixed. France, Italy and the United Kingdom have experienced weather conditions unfavorable to wheat. Reports from the United Kingdom also indicate an acreage some 20 per cent. less than normal. Spain, however, reports crop prospects fine. Native reserves are liberal and import needs moderate. India has general beneficial rains. The wheat crop promises well. Yield of native food grains such as rice have been liberal and liberal exports of wheat will be possible. The Australian crop promise is maintained but yield is below the previous season. Authorities estimate the crop of wheat in New South Wales as 43,000,000 bushels, compared with 67,000,000 bushels last year. Argentine shipments of wheat will be light, according to authorities there owing to scarcity. The surplus of wheat from both old and new crops is placed at 48,000,000 bushels. There has been an abandonment of 33 per cent. of the area sown to wheat last December, and the yield is estimated at only 77,922,000 bushels, compared with 172,415,000 bushels.

While the futures market has been erratic and has fluctuated sharply, the trend of values appears to be downward. At times the May option, in particular, has shown distinct weakness owing to the serious interruption to exports and the railroad tie-up. It is almost certain that there will be no further bull demonstration in the May option. With regard to July, the possibilities of an advance have been reduced seriously by recent developments, but it is likely to prove the stronger option of the two. Its action will be governed in part by new crop developments. The damage reports already mentioned have already had the effect of stiffening the July position relatively with that of May.

Book Reviews

ADVERTISING BY MOTION PICTURES

By Ernest A. Dench. (Price, $1.50 Postpaid.)

THE motion picture has achieved widespread fame as a form of entertainment, and it is now likely to repeat this performance in the advertising field. It is an entirely new publicity medium which is destined to become very popular and very effective.

There is very little information available on this subject, so that this book by Mr. Dench is the first in its field. The author is a recognized authority on the subject of motion pictures, and he has made a thorough investigation of every phase of this fascinating theme. The results of his inquiry are presented in an easily understandable manner.

The author points out the application of the fundamental principles of salesmanship to motion pictures. The volume is full of usable suggestions, and campaigns are suggested for individual business such as real estate, department stores, musical advertising and others. Every man who sells things should investigate the possibilities of this new field of advertising, which this volume sets forth so remarkably.

CONTENT WITH FLIES

By Mary and Jane Findlater. (Price, $1.10 Postpaid.)

THIS book is a charming account of the summer experiences of these well-known authors in a country cottage in Scotland, entirely without servants.

Realizing the change in the standard of living which the war is bringing about in Great Britain, they made their first attempt at really living the simple life so much praised by the theorists.

The story of their trials and tribulations, and their triumphs, is humorously told, and is as stimulating as it is entertaining.

The book is full of sound suggestions, both for the housewife and for the man whose money makes housekeeping possible.

FINANCIAL CHAPTERS OF THE WAR

By Alexander D. Noyes. (Price, $1.35 Postpaid.)

MANY of us have wondered how it is possible for the nations engaged at war in Europe to raise the tremendous amount necessary to carry on the war. The expenditure has been $100,000,000 a day. We have also wondered why the prediction of the financiers, that the war could not last long because of the economic exhaustion of the country, has not been fulfilled.

Other questions which have occurred to us are, why foreign exchange has depreciated so much; how this country has acquired the power of paying off its large foreign indebtedness and financing the neutral nations from its own resources, even lending to Europe larger sums than Europe itself has raised for its earlier wars.

One of the most vital questions of the war is, is our present prosperity only temporary and fictitious, and what will happen when the war is over? These are the questions which Mr. Noyes has answered in his book.

The author first takes up the financial aspects of earlier wars, and compares them with the present struggle, showing that the European war is by far greater than any war in history from a financial as well as physical standpoint.

He then goes on to take up the financial history of the war, step by step, beginning with the panic and the expedients which Europe used in an endeavor to save her financial standing. Following this, the book points out how the nations sought to develop their financial resources for the carrying on of the war. Parallel to this, the author points out the conditions as they held in America up to the point of the closing of the New York Stock Exchange. From this point on, he discusses the growth of the great prosperity in this country, the currency inflation, and foreign exchange.

The last part of the book is the important part to us to-day. This discusses the possibility of the future, when the war shall end. A brief history of similar conditions in the past is given, and a forecast of the financial conditions of the European countries after the war is clearly set forth. Finally the American aspect of the question is taken up in detail.

Whether or not we ourselves are involved in this terrible conflict this book will prove a valuable study to anyone who takes the slightest interest in economic problems.

FACTORY ACCOUNTING

By Frank E. Webner. (Price, $3.30 Postpaid.)

AS specialization in the industries increases, there come additional problems in accounting and bookkeeping methods for these very special needs. A general knowledge of bookkeeping will not cover the particular details of an individual enterprise.

One of the fields which have heretofore been neglected is that of factory accounting, which involves a great many technicalities. However, Mr. Webner, by his excellent organization of the material has simplified the study considerably. One of the means he has adopted to help the beginner is to use charts and graphs wherever possible. However, the book has not been written solely for the beginner. It is a good working guide and reference book for the skilled accountant. Special attention is given to the newer methods and mechanical means of time and labor saving.

Each record and book of entry kept in factory accounting is described carefully, and the

order in which entries should be made is explained. Besides the mere routine, there is much material on the organization and management of a factory, which would enable an ambitious accountant to qualify for the position of factory manager. Since it is necessary that all executives of manufacturing companies keep in touch with the best methods of accounting, we earnestly commend the book to them, with the belief that it will fill a real gap in the present literature on the subject.

THE AWAKENING OF BUSINESS

By Edward N. Hurley. (Price, $2.10 Postpaid.)

THIS is a book which states some plain truths in a plain way. It is not a message of congratulation, but of warning, as to conditions now existing in American business. Mr. Hurley points out wherein we are deficient in our business methods. He does not propose any revolutionary schemes to remedy these conditions, but suggests a getting back to first principles and building up the business with our newer understanding of efficiency principles, without regard to traditional methods. In turn he takes up trade associations price fixing, foreign trade opportunities, cooperation in export trade and similar features.

The book shows the wrong method of correcting conditions, and demonstrates just how far Governmental and Legislative control of private enterprises can go.

Mr. Hurley is the chairman of the Federal Trade Commission, and although the book is written on his own authority as an individual, nevertheless it reflects the results of his work as a member of the commission. In this connection he is particularly fitted to speak on the subject of Government aid to business. The book is practical, and of inspirational value to every business man.

GASOLINE, A HAND BOOK.

By G. A. Burrell. (Price, $1.60 Postpaid.)

THIS book is invaluable for anyone who owns or uses an automobile. It is not a handy book for repairs, attempting to teach the reader everything about an automobile in 15 pages, but it is a sensible discussion of the properties and proper use of gasoline.

There is interspersed much interesting material on the history of automobiles, the construction of the parts of an automobile which have to do with gasoline, and also some valuable information on lubricating oil.

For the investor in oil securities, the statistics regarding petroleum production will prove especially valuable, as well as those chapters dealing with the preparation of gasoline and lubricating oil. There are also useful chapters containing weights and measures, an explanation of the metric system, and various other tables of importance. The book is attractively bound in leather, and easily slipped into the pocket.

FISHING FOR SUCKERS

By George Thomas Watkins. (Price, $1.05 Postpaid.)

WHEN you have read over some of the classified advertising in the newspapers and magazines, you have often wondered as to the success of certain schemes for getting money from the innocent.

Mr. Watkins has made a thorough study of three classes of these advertisements. One of them is best described in the wording of the advertisement. "Photos of Women, the Kind Men Want but Seldom Get." Taking these advertisements up, one after another, he shows how they are entirely fakes, and how by skillful wording of their advertisement they fool the customer. Some of the goods sold under this class of advertisement are truly absurd. The second class of advertisement are the "Rare and Racy" books. The advertisements imply that these are red hot publications. The title of one of them is indicative of the whole series. "From the Ball Room to Hell." Upon investigation these books prove to be quite innocuous, and they are particularly poor examples of written English.

The final class of advertisers is those who advertise to teach the mail order business. The results show that where there is not any string connected to the proposition which requires the outlay of money on the part of the person inquiring, these instructions are absolutely worthless. Practically all of them however, require that the embryo mail order magnate buy a certain outfit and act as an agent for this product. The whole scheme is nothing more than a selling scheme for the product in question.

Those who advertise, and those who read, should look over this book. It will lighten up a dark hour, and serve as a basis for rating advertisements.

SUCCEEDING WITH WHAT YOU HAVE

By Chas. M. Schwab. (Price, 60c. Postpaid.)

IN this book the famous steel magnate reveals the secret of his success. Mr. Schwab, who has no faith in super-geniuses, is of the opinion that there is more opportunity to rise in America than ever before, and he illustrates this with the experiences of some of his own employees. He discusses the merit of a college education for business, and points out how he selects men for important places. The book is particularly valuable in showing that faithful, loyal service is needed to carry out the plans of those who furnish capital, and that these are therefore the requirements an ambitious young man should have.

The final chapter of the book, entitled "Woman's part in man's success" deals remarkably well with a topic never before adequately handled.

Wall Street Jottings

A booklet containing quotations as of March 1, 1913, of over 600 Public Utility Securities, has just been issued by William P. Bonbright & Company. These quotations will be extremely valuable to those who owned, prior to March 1, 1913, any of the securities listed, and sold them during 1916, as the profits or losses from such sales should be indicated in their income tax reports.

Full description of the Preferred stock of a Public Utility Corporation selling on a 9% basis will be given to those interested by Geo. Reith & Co., 40 Wall Street.

Hort & McWilliam, 71 Broadway, New York, have an interesting circular in reference to the political situation and its bearing on foreign securities. Sent on request.

The initial dividend of 1½% on the preferred stock on the Northern Ohio Electric Corporation has been declared, payable March 1, 1917, to holders of record February 16. Books do not close.

A special proposition is now made to out-of-town banks and bankers by the Metropolitan Trust Company of New York, 60 Wall Street. Full details on request.

Full information will be given by C. C Kerr & Co., 2 Wall street, New York, on Central Petroleum pf., which yields 12% on present price, with guarantee by Texas Oil Co. on its stock dividends.